Risk Management Committee and Corporate Risk Management of Deposit Money Bank in Nigeria

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ABSTRACT

This study investigates the influence of Risk Management Committee (RMC) characteristics on corporate risk management in Nigerian Deposit Money Banks (DMBs) from 2014 to 2023. Prompted by the growing need for stronger risk oversight following global financial sector failures, the research examines how RMC size, independence, and gender composition shape the effectiveness of corporate risk management practices. Anchored on Agency Theory, Resource Dependency Theory, and Legitimacy Theory, the study adopts an ex-post facto research design, utilizing secondary data obtained from financial statements, regulatory reports, and industry publications. A sample of 14 listed DMBs was selected based on data availability. Using an econometric model adapted from prior studies, Tobin's Q and Return on Equity (ROE) were employed as proxies for corporate risk management efficiency and performance. Descriptive results show that most banks exhibit Tobin's Q values below 1, indicating undervaluation and weak investor confidence. Correlation and regression findings reveal that RMC size has a consistently negative and significant effect on both market valuation and profitability, suggesting that oversized committees may hinder effective oversight. RMC independence demonstrates no significant relationship with performance, implying that independence in its current form may be more symbolic than functional. Gender composition shows a positive but statistically insignificant association with corporate risk management, indicating that diversity alone does not guarantee improved performance. Overall, the study concludes that the structure and composition of RMCs significantly influence corporate risk management outcomes in Nigerian DMBs. It emphasizes that streamlined, expertise-driven committees are more effective in enhancing oversight and strengthening organizational resilience.

Keywords: Risk Management Committee, Corporate Risk Management, Tobin's Q, Governance, Deposit Money Banks, Nigeria.

INTRODUCTION

In the rapidly evolving landscape of financial institutions, particularly Deposit Money Banks (DMBs), effective risk management has become indispensable for ensuring financial stability, operational efficiency, and long-term resilience. The 2007–2008 global financial crisis exposed profound weaknesses in banks' risk governance structures, including inadequate oversight, poor risk culture, and excessive risk-taking without commensurate controls. These failures intensified regulatory scrutiny and prompted reforms that emphasized the need for enhanced governance mechanisms capable of safeguarding banks against systemic shocks (Aebi et al., 2012). One major outcome of these reforms was the institutionalization of Risk Management Committees (RMCs) as specialized board subcommittees tasked with overseeing diverse risks credit, market, operational, liquidity, and emerging risks thereby strengthening internal control systems (Ellul & Yerramilli, 2013).

Corporate Risk Management (CRM) extends beyond traditional risk assessment to encompass strategic integration of risk considerations into organizational decision-making. In DMBs, CRM requires embedding risk awareness across all functional units, cultivating a risk-conscious culture, and implementing frameworks that align risk exposure with corporate objectives (Lam, 2014). Effective CRM not only shields banks from financial and reputational losses but also enables them to leverage risk intelligently for competitive advantage and value creation (Jorion, 2007). However, CRM effectiveness is influenced by external regulatory pressures, evolving technological complexity, and internal governance quality (Stulz, 2016). Thus, strong governance structures, especially RMCs, are critical in moderating these influences.

The RMC plays a central role in strengthening CRM by facilitating proactive risk identification, ensuring compliance with regulatory standards, and enhancing coordination among risk-bearing units. Empirical evidence suggests that banks with well-structured and actively engaged RMCs demonstrate superior risk governance, stronger loss-absorbing capacity, and improved resilience during economic downturns (Aebi et al., 2012; Ellul & Yerramilli, 2013). This underscores the argument that effective risk committees are not merely symbolic governance structures but strategic pillars essential for sustaining stability, accountability, and stakeholder confidence in DMBs (Lam, 2014).

Statement of the Problem

In today's banking sector, effective Risk Management Committees (RMCs) and Corporate Risk Management (CRM) practices are crucial for the stability and profitability of Deposit Money Banks (DMBs). While RMCs are established to enhance risk oversight, limited understanding remains on how specific RMC structures and CRM strategies directly impact operational and financial performance in banks (Ali & Anifowose, 2021). Current research often provides broad perspectives on risk management without exploring the specific influence of RMC configurations and CRM practices suited to banking needs (Muneer et al., 2022). This gap points to the necessity for focused research on optimizing risk frameworks that effectively balance risk mitigation with performance enhancement.

Moreover, existing literature primarily addresses banks in developed economies, often overlooking the unique regulatory, market, and operational risks faced by DMBs in emerging markets (Omoregie et al., 2023). Such environments require tailored risk management approaches. Additionally, RMC governance elements, including committee composition and expertise, remain under-examined despite their likely influence on CRM effectiveness (Adekunle & Olaniran, 2021). This study addresses these gaps by investigating how RMC structures affect CRM in DMBs, providing insights for enhanced risk management in emerging markets.

Research Questions

The research is guided by the following questions:

i. What is the effect of risk management committee size on the corporate risk management of listed deposit money banks in Nigeria?

ii. How does risk management committee independence significantly affect the corporate risk management of listed deposit money banks in Nigeria?

iii. What is the effect of risk management committee gender composition on the corporate risk management of listed deposit money banks in Nigeria?

Objectives of the study

The main objective of this study therefore, is to explore the effects of risk management committee and corporate risk management on Deposit money Bank.

Specifically, the study seeks to:

i. Examine the effect of risk management committee size on the corporate risk management of listed deposit money banks in Nigeria.

ii. Evaluate significance of Risk Management Committee Independence on the Corporate Risk Management of Listed Deposit Banks in Nigeria.

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iii. Examine the effect of Gender Composition on the Corporate Risk Management of Listed Deposit Money Banks in Nigeria.

Research Hypotheses

The following null hypotheses

H_o1: Risk Management Committee Size has no significant effect on the Corporate Risk Management of Listed Deposit Money Banks in Nigeria.

H_o2: The independence of Risk Management Committee has no positive impact on the Corporate Risk Management of Listed Deposit Money Banks in Nigeria

H_03: The gender composition of the risk management Committee has no significant effect on the Corporate Risk Management of Listed Deposit Money Banks in Nigeria.

Significance of the Study

Findings from this study are expected to benefit various stakeholders in banking industry. For instance, board of directors will be assisted by the outcome of this study in the selection of risk committee members with traits most suited to enhancing firm value. Regulatory authorities may also find this study useful in formulating policies and programs that will benefit the industry. Moreover, the study will add to the extant literature on the subject matter which will serve as reference materials for further research.

Scope of the Study

This research focuses on the relationship between the risk management committee and corporate risk management practices of deposit money banks in Nigeria. The study is specifically centered on deposit money banks listed on the Nigerian Exchange Group (NGX) and spans a period of 10 years, from 2013 to 2023. The research utilizes secondary data sourced from the annual audited financial statements of the selected banks. By analyzing these financial reports, the study aims to provide empirical evidence on the effectiveness of risk management committees in enhancing corporate risk management practices within the Nigerian Deposit Money Banks.

LITERATURE REVIEW

Risk Management Committee

Risk management committees are pivotal in the financial sector, particularly for Deposit Money Banks (DMBs). These institutions, serving as vehicles for financial intermediation, face multifaceted risks affecting their stability and performance. The committees are responsible for identifying, assessing, and mitigating financial, operational, and compliance risks. Their activities enhance regulatory compliance, safeguard assets, and foster sustainable growth. By embedding a culture of proactive risk management, they contribute to robust strategies that shape the risk profile and performance of DMBs.

Risk Management

Risk refers to the likelihood of adverse outcomes or deviations from desired objectives. Gallati (2013) defines it as potential disasters, while Acerbi (2018) describes it as an anticipation of danger or unexpected setbacks. In business, risk involves scenarios, whether predictable or not, that could unfavorably affect organizational goals.

Risk management is the systematic identification, assessment, and mitigation of risks to optimize outcomes and reduce uncertainties. Res et al. (2016) outline its steps as identifying, communicating, tracking, and investigating variances. Stanton (2012) suggests a comprehensive approach that includes eliminating, accepting, or mitigating threats. Mugenda et al. (2012) highlight the balance of risk trade-offs, aiming to minimize adverse impacts while maximizing returns. Similarly, Madembu et al. (2015) emphasize proactive measures to align risk management with objectives like cost reduction and returns maximization.

Role and Structure of Risk Management Committees

Risk management committees oversee risk frameworks, aligning them with organizational strategies. Their structured oversight ensures organizations identify, evaluate, and control risks effectively (Frigo & Anderson, 2011). Acting as an extension of corporate governance, they emphasize resilience, transparency, and accountability in mitigating disruptions and safeguarding stakeholders' interests (Sobel & Reding, 2014).

The committee's composition includes board members, senior executives, and sometimes external experts with diverse expertise in finance, compliance, operations, and technology (Kirkpatrick, 2009). This diversity enables a holistic understanding of risks and robust decision-making. Typically reporting to the board, the committee provides independent risk assessments and recommendations, ensuring comprehensive oversight (Culp, 2002).

To maintain effectiveness, committees remain informed on emerging risks and regulatory changes. Practices like regular meetings, risk assessments, and monitoring indicators are essential (Grote, 2009). Moreover, they instill a culture of risk awareness, promoting organization-wide transparency and proactive management (Power, 2004). Such a culture enhances anticipation and mitigation of potential threats (Beasley et al., 2005).

Governance-wise, risk management committees operate under a charter defining their roles, responsibilities, and scope of authority. This ensures clear communication and integration of risk considerations into strategic and operational decisions (Frigo & Anderson, 2011). The alignment of risk management efforts with long-term objectives fosters a proactive approach to addressing uncertainties (Lundqvist, 2015).

Corporate Risk Management Practices in Banks

Corporate risk management in banks is vital for ensuring financial stability. Banks face various risks such as credit, market, operational, and liquidity risks, each requiring tailored management strategies. The Basel Committee on Banking Supervision mandates comprehensive risk management frameworks and capital buffers to address these risks effectively. Credit risk management involves assessing borrowers' creditworthiness and limiting default exposure, while market risk management employs hedging strategies to mitigate fluctuations in interest rates, foreign exchange, and commodity prices.

Operational risk management addresses risks from internal processes, systems, and human factors through risk assessments, internal controls, and continuous monitoring. Technology plays a significant role, with advanced analytics and machine learning enhancing risk detection and mitigation. For liquidity risk, practices like stress testing, maintaining liquidity coverage ratios, and contingency funding plans ensure financial health during economic stress. These strategies collectively bolster confidence in banks' financial stability.

Risk Management Committee Size and Solvency Ratio of Deposit Money Banks in Nigeria

The size of a Risk Management Committee (RMC) significantly influences risk management practices and the solvency ratio of deposit money banks (DMBs). Solvency ratio measures a bank's ability to meet long-term obligations, directly linked to effective risk management. Larger RMCs bring diverse expertise, improving risk identification, assessment, and mitigation, leading to better decision-making and stronger solvency ratios.

Empirical evidence suggests that banks with adequately sized RMCs exhibit robust risk oversight frameworks, crucial for navigating Nigeria's complex financial environment. Such committees ensure comprehensive risk management, essential for addressing non-performing loans and systemic risks, thereby enhancing financial stability. Nigerian banks must consider RMC size as a strategic factor in maintaining healthy solvency ratios.

Role of the Board of Directors in Risk Management

The Board of Directors plays a critical role in establishing and overseeing risk management frameworks aligned with strategic objectives. According to the Committee of Sponsoring Organizations (COSO), boards must ensure significant risks are identified and managed effectively. This involves integrating risk management into strategic operations and fostering a robust risk-aware culture.

Boards engage with senior management to understand the risk landscape, approve policies, and monitor exposures. Ensuring compliance with regulatory standards and best practices, they implement internal controls and provide necessary resources for risk teams. By fulfilling these responsibilities, boards safeguard assets and enhance organizational stability and success.

Role of Corporate Risk Management Practices in Mitigating Operational and Credit Risks

Corporate risk management practices are pivotal in mitigating operational and credit risks in DMBs. Operational risks, arising from system failures, human errors, and external events, are managed through robust internal controls, continuous monitoring, and adherence to regulatory standards. Advanced technologies and regular training reduce disruptions, enhancing stability.

For credit risk, rigorous assessment methodologies such as credit scoring and stress testing evaluate borrowers' creditworthiness. Portfolio diversification and performance monitoring minimize defaults. Research underscores that banks with stringent credit risk practices maintain resilience during economic downturns. Predictive analytics further strengthen risk management by identifying emerging risks, enabling timely interventions and regulatory compliance.

Relationship between Risk Management Committees and Corporate Risk Management Policies

Risk Management Committees (RMCs) play a crucial role in the adoption of effective corporate risk management policies in DMBs. RMCs ensure adherence to regulatory requirements and internal policies, fostering a structured approach to managing credit, market, and operational risks. Studies reveal that banks with active RMCs implement comprehensive frameworks for risk identification, assessment, and mitigation.

RMCs promote a culture of risk awareness and accountability by integrating risk considerations into strategic decisions. Their effectiveness depends on member expertise and independence, enabling better oversight and unbiased guidance. Banks with well-composed RMCs demonstrate enhanced risk-adjusted performance, indicating that these committees are integral to financial stability and operational efficiency.

Impact of Risk Management Committees on Bank Performance

Risk Management Committees (RMCs) significantly influence bank performance by overseeing risk practices and ensuring proactive mitigation. Studies indicate that banks with dedicated RMCs achieve better risk-adjusted performance and maintain balanced risk profiles. These committees guide strategic decision-making, aligning operations with risk appetites and regulatory standards.

RMCs also embed a culture of risk awareness throughout the organization, reducing risky behaviors and fostering vigilance. By ensuring regulatory compliance, RMCs enhance banks' reputations and financial sustainability. This proactive oversight helps banks adapt to dynamic market conditions, contributing to long-term stability and profitability.

Challenges in Implementing Risk Management in Deposit Money Banks

Implementing effective risk management in DMBs involves overcoming challenges such as the complexity of assessing diverse risks credit, market, liquidity, and operational. Integrating these risks requires robust frameworks, which can be resource-intensive.

Cultural and organizational barriers, including hierarchical structures and resistance to change, often hinder the adoption of risk practices. A lack of a risk-aware culture further undermines effectiveness. Additionally, adapting to evolving regulatory requirements demands expertise and resources, adding strain to banks' operations.

Technological advancements also pose challenges, requiring continuous upgrades and skilled personnel to manage sophisticated tools. Despite these hurdles, addressing these challenges is crucial for maintaining financial stability in an ever-changing banking landscape.

Theoretical Review

Agency Theory

Agency Theory, advanced by Stephen Ross and Berry Mitnick (1973) and later strengthened by Jensen and Meckling (1976), highlights the conflict that arises when the owners of an organization delegate decision-making authority to managers. Because managers may pursue personal interests, agency problems such as negligence, risk-shifting, and weak oversight can emerge. To mitigate these risks, governance mechanisms such as board committees especially the Risk Management Committee (RMC) are essential for monitoring managerial behaviour and safeguarding shareholders' interests.

Studies such as Kibiya et al. (2016), Dinu and Nedelcu (2015), and Nayeri and Salehi (2013) demonstrate that effective monitoring structures improve transparency and curb opportunistic behaviours. In the context of this research, Agency Theory justifies examining RMC size, independence, expertise, and gender diversity as monitoring tools. The theory predicts that an optimally structured RMC enhances risk oversight, reduces managerial moral hazard, and strengthens financial performance. Thus, the findings showing the importance of committee competence, independence, and diversity directly align with Agency Theory's emphasis on reducing information asymmetry and enhancing control.

Resource Dependency Theory

Resource Dependency Theory (RDT), introduced by Pfeffer (1972) and expanded by Pfeffer and Salancik (1978), explains how organizations depend on external expertise, information, and networks for survival. Directors help firms access critical resources knowledge, technology, regulatory insight, and strategic relationships thereby improving decision-making and competitiveness (Hillman et al., 2000).

In governance structures, committees with diverse skills and backgrounds provide firms with broader perspectives and access to valuable resources (Daily et al., 2003). Independent and female directors, for instance, often contribute unique expertise, objectivity, and external networks that enrich risk governance. This research draws on RDT to explain why RMC expertise and diversity significantly influence risk management outcomes. The findings that expertise enhances oversight and that diversity promotes innovative thinking reflect the theory's assertion that committees are strategic channels for resource acquisition.

Legitimacy Theory

Legitimacy Theory, rooted in the works of Dowling and Pfeffer (1975) and Suchman (1995), posits that organizations must operate in ways that align with societal norms and expectations to maintain legitimacy. Stakeholders expect banks to manage risks responsibly to safeguard depositors, maintain stability, and uphold public trust. Weak risk governance creates a "legitimacy gap" (Sethi, 1979), exposing banks to reputational damage and regulatory scrutiny.

In this research, Legitimacy Theory underpins the role of RMC composition especially gender diversity and compliance with governance codes as signals of transparency, accountability, and ethical conduct. The observed positive influence of diversity and competent oversight on risk outcomes aligns with the theory's view that firms strengthen legitimacy by demonstrating responsible governance practices.

Empirical Review of Related Studies

Multazam et al (2025) examined risk monitoring committee characteristics and risk disclosure. The sample was selected through a purposive sampling of banking companies listed on the IDX for the period 2018–2022, resulting in 205 observations from 44 companies. Secondary data was obtained from social media, annual reports, and official company websites, and then analyzed using multiple linear regression. This study found that gender diversity and the frequency of committee meetings positively influence risk disclosure, while committee independence and qualifications do not have a significant effect. These findings highlight the importance of enhancing corporate governance in Indonesian banks, particularly through strengthening risk monitoring committees.

Dagunduro et al. (2025) examined the effect of risk management committees on earnings quality of listed insurance firms in Nigeria. This study employed an ex-post facto research design to collect data from annual reports, corporate governance disclosures, and financial databases of 23 Nigerian insurance firms listed on the Nigerian Exchange Group (NGX). The ex-post facto design was chosen to use existing data without manipulation. Census sampling was applied to include the entire population, covering a twelve-year period from 2012 to 2023, which corresponds with the transition of the Nigerian Stock Exchange to the NGX. The study utilized both descriptive statistics and inferential statistics, such as panel regression and correlational analysis, to analyse the data comprehensively. The findings revealed that size of the risk management committee and its gender diversity were found to have a negative and significant effect on earnings quality. Conversely, the frequency of risk management committee meetings and the independence of the committee members were shown to positively and significantly impact earnings quality. These findings reveal the importance of optimizing the composition and functioning of risk management committees to enhance financial reporting quality within the Nigerian insurance sector.

Afrizal et al. (2025) sought to prove empirical evidence regarding the moderating effect of political connection to risk committee and firm performance relationship. The quantitative research approach was adopted using financial companies registered on the Indonesian Stock Exchange (IDX) in the 2019 – 2021 period while 129 data were gathered. The research results showed that the size of the risk management committee has an influence on firm performance. The large number of risk management committee members helps companies assess potential risks early. Political connections weaken the relationship between the risk management committee and firm performance. The originality of this research was based on the moderating results of political connections which provide a weakening effect compared to previous studies.

Yahaya (2024) examined the influence of a dedicated Risk Management Committee (RMC) on firm risk, assessing how risk management practices mediate this relationship. The primary purpose is to determine whether an RMC directly reduces firm risk or if the committee's effectiveness is largely realized through implementing comprehensive risk management practices. Data were collected from publicly traded companies spanning ten years from 2014 to 2023, focusing on firms with established RMCs across various industries. The methodology includes panel data analysis using multiple regression analysis to test direct and mediated effects, offering robust insights into the relationship between variables. The findings reveal that while the presence of an RMC is associated with lower firm risk, the full risk mitigation effect is achieved only when risk management practices such as risk assessment, monitoring, and compliance checks are actively implemented. The mediation analysis confirms that risk management practices significantly enhance the RMC’s impact, providing a pathway through which the committee can influence firm stability more effectively.

Musa and Tahir (2024) examined the influence of risk management committee attributes on financial performance among listed financial service firms in Nigeria for the period 2009 to 2022 using ex-post facto research design. The results deducted from the analysis indicate that risk management committee size and risk management committee financial expertize have negative and significant effect on financial performance among listed financial service firms in Nigeria, while risk committee independence has significant positive effect. On the other hand, risk committee gender diversity has positive but insignificant effect. The study recommends amongst others that the size of risk management committee of listed financial service firms should be constituted in conformity with the nature and peculiarities of individual company and firms should ensure that experts’ non-executive directors are included in the risk management committee in order to have a superior financial performance.

Musa et al. (2023) examined whether the risk management committee (RMC) mitigates earnings management (EM) in Nigeria. The study used a sample of 365 firm-year observations of Nigerian listed nonfinancial companies from 2018 to 2022. Driscoll and Kraay’s fixed-effect standard error regression model is used to test the hypotheses. The study finds that RMC size, expertise, meeting frequency and membership overlapping with the audit committee have a negative effect on both accrual earnings management (AEM) and real earnings management (REM). While RMC independence is found to have a negative effect on REM. Moreover, additional tests reveal that RMC effectiveness is significantly associated with lower EM practices. Further analysis using the industry level finds that RMC attributes mitigate EM practices in some industries. The results remain after rigorous, robust analysis for endogeneity and alternative regressions.

Gambo (2022) examined the effect of risk management committee attributes on the earnings quality of listed deposit money banks in Nigeria. The study covered period of 13 years from 2010 to 2022 and descriptive research design was adopted. 10 banks out of 14 listed deposit money banks in Nigeria were selected as sample and the data were extracted from the financial reports of the sampled banks for the period of the study and analysed using descriptive statistics, correlation matrix and multiple regressions using GLS. This study adopted the Chang, Shen and Fang (2008) model for measuring earnings quality in the banking industry. In order to assess the validity of the data, fixed and random effects were utilised with Hausman specification test which recommended fixed effect as preferred tool of analysis. However, because of the problem of heteroskedasticity, panel corrected standard error was applied. The study documents that risk committee meeting has significant impact on earnings quality of listed deposit money banks in Nigeria. Furthermore, the study found that other explanatory variables (risk committee financial expertise, independence, size and gender diversity) have no significant influence on earnings quality of listed deposit money banks in Nigeria.

Shehu et al (2022) examined the relationship between board attributes and the existence of risk management committees (RMC) among Nigerian listed companies from 2013 to 2020. The paper examines the relationship between board size, board independence, board gender, board meeting frequency and the existence of a risk management committee. The sample size comprise 100 public listed companies selected based on the data availability. Pearson's correlation and fixed-effect regression model were used in the data analysis. The findings show that both board busyness, board independence and board meeting attendance have a significant positive relationship with the existence of the RMC, while board size, board gender and board meeting frequency have insignificant relationships with the existence of the RMC. Research limitations/implications: The sample of this study is limited to Nigerian non-financial companies.

Rahmawati and Harymawan (2022) analyzed the effect of voluntary risk management disclosure (VRMD) and the existence of a risk management committee (RMC) on firm value of companies listed on the Indonesia Stock Exchange for 2016, with 136 observations. The data obtained are based on annual reports. This study uses a quantitative approach with multiple linear analysis. The results show that voluntary risk management disclosure has positive effect on firm's value. However, the existence of the risk management committee has no significant effect on the firm's value.

Agustina et al. (2021) investigated the moderating role of the risk management committee in the relationship between firm characteristics and Enterprise Risk Management (ERM) disclosure. Using agency theory, the study examined 56 Indonesian manufacturing firms (224 observations) selected through purposive sampling. The findings show that the risk management committee significantly moderates the relationship between firm size and ERM disclosure, as well as between ownership concentration and ERM disclosure. While firm size positively influences ERM disclosure, ownership concentration does not. The committee does not moderate the effects of profitability and board size, nor do these variables directly influence ERM disclosure. Overall, the risk management committee supports effective ERM disclosure, helping maintain stakeholder confidence.

Research Gap

Existing empirical studies provide valuable insights into risk management committees (RMCs), yet several critical gaps remain unaddressed. Multazam et al. (2025) focus on Indonesian banking firms and reveal that only gender diversity and meeting frequency enhance risk disclosure, while independence and qualifications show no influence. However, their study is limited to disclosure outcomes and does not examine the broader organisational effects of RMC characteristics, such as risk performance or firm value. Yahaya (2024) extends the discussion by establishing that RMCs reduce firm risk mainly through effective risk management practices, but the study does not explore how specific committee attributes strengthen or weaken this mediating mechanism. Likewise, Musa and Tahir (2024) highlight mixed effects of RMC attributes on financial performance in Nigeria, yet their emphasis remains on performance outcomes without linking these attributes to risk governance quality or disclosure standards.

Furthermore, Shehu et al. (2022) examine determinants of RMC existence but do not evaluate how these committees, once established, influence risk oversight outcomes. Meanwhile, Agustina et al. (2021) show that RMCs moderate the relationship between firm characteristics and ERM disclosure but do not examine other committee features or cross-country variations.

Collectively, prior studies concentrate on isolated contexts, fragmented attributes, and specific outcomes, leaving a gap regarding how comprehensive RMC characteristics jointly influence risk disclosure, risk management effectiveness, and firm performance across different institutional environments. This gap justifies further research integrating multiple RMC attributes, broader outcome variables, and cross-country comparisons.

METHODOLOGY

Research Design

The study adopts an ex-post facto research design, as the events have already occurred, and no manipulation of data is involved. Secondary data were collected from the financial statements of Nigerian banks.

Population and Sample Size

The study's population includes all DMBs operating in Nigeria from 2014 to 2023, capturing significant regulatory and economic changes during this period. A sample size of 14 banks was selected based on data availability and accessibility. These banks include Access Bank Plc, First Bank Nigeria Plc, Guaranty Trust Bank Plc, Sterling Bank Plc, and Zenith Bank Plc. The sample ensures a representative analysis of RMCs and corporate risk management strategies.

Sources of Data

Data sources include regulatory reports from the Central Bank of Nigeria, academic journals, industry publications, and annual financial disclosures from the banks. Content analysis was employed to extract relevant data from audited financial reports spanning the 2013–2023 financial years.

Model Specification

In order to investigate corporate governance; risk-management as well as financial performance in Nigeria, the research adopted the Improved/modified econometric-model version which the study Coleman and Nicholas (2021) adopts. Consequently, below is the Econometric-model;

The model is expressed in its implicit form first:

$$Y_{it} = \beta_1 + X_{it}\beta_2 + \varepsilon_{it}$$

Where: the dependent-variable is Y_{it} and X_{it} is the explanatory/Independent variable & ε_{it} as error term. In addition, the econometric model is represented in the following explicit-form:

$$TQ_{it} = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCI_{it} + \beta_3 RMCGD_{it} + \epsilon i$$

Where:

Dependent Variable:

Tobin's Q (TQ): A financial metric used to assess a firm's market value relative to its asset replacement cost.

Independent Variables:

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Risk Management Committee Size (RMCS): The number of members on the Risk Management Committee.

Risk Management Committee Independence (RMCI): The proportion of independent members on the Risk Management Committee.

Risk Management Committee Gender Diversity (RMCGD): The proportion of female members on the Risk Management Committee

β_0 is the intercept.

β_1, $\beta 2$, $\beta 3$ are the coefficients for the independent variables of interest.

ϵ_{it} is the error term.

Measurements of Variables

Variables and their measurements

Acronym	**Variables**	**Measurements**
Dependent Variable (firm performance measures)		
Tobin Q	Tobin Q	Net book -value of an asset minus equity book value & equity of market value divided by total book-value-assets.
Independent variables		
RMCS	Risk management committee size	The total-number of members on the board
RMCI	Risk management committee Independence	Percentage of non-executive directors and shareholders in risk committee to total risk committee members size
RMCGD	Risk Management Committee Gender Diversity	Proportion of female in the risk management committee to the total committee members

Data Analysis

This section presents the descriptive statistics and empirical analysis of risk management committees and corporate risk management in Deposit Money Banks. Key analyses include regression, correlation, and Tobin Q, examining variable performance during the review period. Table 2 provides descriptive figures, including mean, standard deviation, minimum, and maximum values for each component, offering insights into individual characteristics of the variables. The results highlight trends and relationships essential for understanding risk management effectiveness in Nigerian banks.

Table 2 Descriptive statistics

Variable	**Obs**	**Mean**	**Std.Dev.**	**Min**	**Max**
Dependent Variables (firm performance measures)					
Tobin Q	72	0.963	0.079	0.84	1.212
RMCS	72	4.889	0.316	4	5
RMCI	72	7.097	2.144	3	13
RMCGD	72	4.056	1.086	0	8

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The Tobin's average of q reflecting the business position of the sampled banks is 0.9633 from the company performance measures in Table 5 below

Table 3. Classification of correlation coefficient

Range	**Interpretation**
0.0 to 0.2	Very weak
0.2 to 0.4	Weak and low
0.4 to 0.7	Moderate
0.7 to 0.9	Strong and high
0.9 to 1.9	Very strong and very high

Table 4. Correlation matrix

	TOBIN	**RMCGD**	**RMC**	**RMCI**
TOBIN	1			
RMCS	−0.307**	0.0797	1	
RMCI	0.0924	0.289*	-0.322**	1
RMCGD	0.320**	0.324**	0.287*	-0.0458

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 5. Corporate governance, enterprise risk management and Tobin's Q

	Dependent Variable: Tobin Q (Market Performance)					
	Without Control Variable			**With Control Variables**		
	OLS	**FE**	**RE**	**OLS**	**FE**	**RE**
	1	2	3	4	5	6
RMCS	-0.0182***	-0.00980	-0.0145**	-0.0125**	-0.0114*	-0.0125**
	-0.00561	-0.00635	-0.00585	-0.00517	-0.00612	-0.00517
RCMI	-0.00102	-0.00525	-0.00141	0.00449	-0.00249	0.00449
	-0.00751	-0.00573	-0.00653	-0.00669	-0.00544	-0.00669
RMCGD	-0.102	-0.138	-0.134	-0.0631	-0.139	-0.0631
	-0.0887	-0.0878	-0.0906	-0.092	-0.092	-0.092
Constant	1.207***	1.402***	1.240***	1.353***	3.002***	1.353***

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	-0.14	-0.232	-0.165	-0.179	-1.071	-0.179
R-squared	0.475	0.33	0.392	0.649	0.478	0.649
Hausman test	-	-	40.614	-	-	29.63
Prob	-	-	-0.762	-	-	-0.861
F-test	5.519	2.461	-	7.517	3.007	-
Prob > F	0	0.018	-	0	0.0025	-
Wald	-	-	22.66	-	-	105.2
Prob > chi2	-	-	0.012	-	-	0
Observations	72	72	72	72	72	72
Number of companies	12	12	12	12	12	12

Standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

Table 6. Corporate governance, enterprise risk management & return on equity

	Dependent Variable: Return on Equity (Accounting Performance)					
	Without Control Variable			**With Control Variables**		
	OLS	**FE**	**RE**	**OLS**	**FE**	**RE**
	1	2	3	4	5	6
	(0.00493)	(0.00713)	(0.00619)	(0.00330)	(0.00667)	(0.0033)
RMCS	-0.0242***	-0.0176**	-0.0178***	-0.0108**	-0.0160**	-0.0108**
	(0.00671)	(0.00694)	(0.00649)	(0.00473)	(0.00649)	(0.00473)
RMCI	-0.00174	0.00197	0.00319	0.00636	0.00711	0.00636
	(0.00898)	(0.00626)	(0.00655)	(0.00612)	(0.00577)	(-0.00612)
BRCI	-0.167	-0.143	-0.128	-0.156*	-0.0391	-0.156*
	(0.106)	(0.096)	(0.0963)	(0.0841)	(0.0975)	(0.0841)
RMCGD	0.0555	0.00786	0.0466	-0.00971	-0.0103	-0.00971
	(0.0333)	(0.0461)	(0.0392)	(0.0254)	(0.0496)	(0.0254)
Constant	-0.262	0.343	-0.0186	0.0808	-0.00219	0.0808
	(0.167)	(0.253)	(0.203)	(0.164)	(1.135)	(0.164)

R-squared	0.502	0.238	0.33	0.805	0.442	0.805
Hausman test	-	-	21.98	-	-	52.19
Prob	-	-	(0.152)	-	-	(0.131)
F-test	6.141	1.563	-	16.78	2.605	-
Prob > F	0.000	0.146	-	0.000	0.007	-
Wald	-	-	16.61	-	-	235
Prob > chi2	-	-	0.083	-	-	0.000
Observations	72	72	72	72	72	72
Number of companies	12	12	12	12	12	12

Standard Errors and Significance Levels:

*p < 0.01, p < 0.05, *p < 0.1

The findings reveal that most sampled banks' shares are undervalued, as Tobin's Q mean value (0.963) falls below 1. This indicates that the cost of replacing the firms' assets surpasses their share value. The minimum and maximum Tobin's Q values are 0.84 and 1.212, respectively, with a standard deviation of 0.079, highlighting low variability among the sampled banks.

Descriptive Overview:

Tobin's Q suggests that 12.12% of pre-tax income for the sampled banks is attributable to reserves.

DISCUSSION OF FINDINGS

The study examined the influence of Risk Management Committee (RMC) characteristics on corporate performance of Nigerian Deposit Money Banks using Tobin's Q and Return on Equity (ROE) as performance measures. Descriptive results indicate that the banks' average Tobin's Q (0.963) is below 1, suggesting that most sampled banks are undervalued as their market valuation falls short of the replacement cost of their assets. This signals weak investor confidence and possible macroeconomic constraints affecting the sector. The RMC variables size, independence, and gender diversity show moderate variability across banks.

Correlation analysis reveals that RMC size (RMCS) has a significant negative relationship with market performance (r = –0.307), implying that larger committees may be associated with inefficiency, slower decision-making, or coordination challenges. RMC gender diversity shows a positive and significant correlation with Tobin's Q, suggesting that the market values diversity as a signal of improved monitoring and decision quality. However, RMC independence (RMCI) displays a weak and insignificant correlation with performance, indicating that independence alone may not translate into effective oversight.

Regression results reinforce these insights. RMC size consistently shows a negative and statistically significant effect on both Tobin's Q and ROE across OLS, fixed-effects, and random-effects models. This suggests that excessively large committees may hinder both market valuation and internal profitability. RMC independence remains largely insignificant, reflecting the possibility of nominal rather than functional independence. Gender diversity, although positively correlated with Tobin's Q, becomes insignificant when other governance variables are controlled for, indicating limited direct influence on performance outcomes.

Overall, the findings suggest that Nigerian banks' risk governance structures, particularly committee size, significantly shape performance outcomes. Efficiently structured committees may enhance risk oversight, while unnecessarily large committees may reduce effectiveness. The results highlight the need for streamlined, competence-driven RMC structures to strengthen both market and accounting performance in the banking sector.

SUMMARY, CONCLUSION AND RECOMMENDATION

Summary of the Study

This research examined how the structure and composition of risk management committees affect the corporate risk management practices of listed deposit money banks in Nigeria. The study was motivated by the increasing importance of governance mechanisms in ensuring sound risk oversight within financial institutions. Guided by agency and resource dependence theories, the research focused on three specific objectives: assessing the effect of RMC size on corporate risk management, evaluating the impact of RMC independence, and determining how gender composition influences corporate risk management outcomes.

An econometric model adapted from Coleman and Nicholas (2021) was employed, using Tobin's Q as a proxy for corporate performance and risk management efficiency. The findings indicate that larger RMCs tend to negatively affect firm performance, possibly due to coordination inefficiencies and diluted accountability. Conversely, gender diversity displayed a positive, though statistically insignificant, association with performance, while independence showed no significant effect. The overall results suggest that while committee composition is crucial, effectiveness depends more on quality, expertise, and balance than on mere numerical attributes.

Conclusion

The study concludes that the structure and composition of Risk Management Committees significantly influence corporate risk management outcomes in Nigerian Deposit Money Banks. Empirical evidence shows that larger committees tend to reduce efficiency, limiting both market and accounting performance due to coordination challenges. While gender diversity shows a positive association with market valuation, its effect becomes insignificant when other governance factors are controlled. Similarly, committee independence does not meaningfully enhance risk oversight, suggesting that independence without functional effectiveness yields limited benefits. Overall, effective risk governance depends not on committee size or diversity alone but on optimizing these attributes with competence, active engagement, and strategic alignment to strengthen corporate risk management and improve bank performance.

Recommendations

Based on the findings and supported by Agency, Resource Dependency, and Legitimacy theories, the study recommends that Deposit Money Banks maintain a moderately sized Risk Management Committee to enhance coordination, accountability, and timely decision-making, as excessively large committees were found to weaken performance. Independence should go beyond formal designation; independent members must possess strong expertise in financial risk management to provide meaningful oversight. Consistent with legitimacy and diversity perspectives, banks and regulators should promote greater female representation, as diversity enhances monitoring quality and strengthens stakeholder confidence. Continuous capacity-building in areas such as fintech risk, cybersecurity, and evolving regulatory requirements is essential for effective oversight. Finally, the Central Bank of Nigeria should revise governance codes to emphasize competence and performance-based assessment of RMCs rather than mere compliance with structural provisions.

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