

BOARD COMMITTEE CHARACTERISTIC AND BANKRUPTCY RISK OF LISTED DEPOSIT MONEY BANKS IN NIGERIA AND SOUTH AFRICA

Pius V.C. Okoye¹ John-David A. Omonigho² Raymond A. Ezejiofor³

^{1,2&3}Department of Accountancy, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria

Emails: vynopee@gmail.com¹; 1970johndav@gmail.com²; ra.ezejiofor@unizik.edu.ng³

All correspondence to: 1970johndav@gmail.com

ABSTRACT

The study ascertained the effect of board committee on bankruptcy risk in deposit money banks in Nigeria and South Africa. The specific objectives are to: assessed the effect of remuneration committee on bankruptcy risk of deposit money banks in Nigeria and South Africa; and evaluated the effect of risk management committee on bankruptcy risk of deposit money banks in Nigeria and South Africa. This study adopted the ex-post facto research design. A sample of eight deposit money banks, each from the two countries was purposively selected while other banks were inevitably excluded for incomplete data. The data were extracted from the annual reports and accounts of the selected banks in Nigeria and South Africa. The panel data were analyzed with descriptive statistics, and inferential statistics using Pearson correlation, and panel regression analysis. The study indicated that the remuneration committee had a negative and insignificant effect for Nigerian deposit money banks, while that of South African showed a negative and significant effect on bankruptcy risk. The study revealed that the risk management committee had a positive and significant effect for Nigerian deposit money banks, while the South African showed a negative and significant effect on bankruptcy risk. Based on the findings, The remuneration committee is recognizing the significance of growth and profitability of a bank, there is need for both countries to focused on this committee of their banks, hence the committee can influence executive behavior by structuring compensation that balance short-term and long-term goals, potentially reducing excessive risk-taking that could need to bankruptcy.

Key words: Bankruptcy Risk, Remuneration Committee, Risk Management Committee.

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INTRODUCTION

In the past, instability in the Nigerian financial system and the banking sector in particular was blamed on institutional failures. However, this trend has shifted to generalized failure which is currently sweeping the banking sector. Specifically, factors like mismanagement, ineffective machinery for debt recovery, poor credit policy and administration, greed, corruption and fraud are some of the worst culprits (Ifeyinwa, 2012). The importance and relevance of the Banking industry to any economy is based on its main intermediary role expected to be professionally, morally, legally and statistically played as a central position in

the financial system. Farinde (2013) documented that banks act as intermediaries for efficient transfer of resources from surplus to deficit units. For the banks to be able to perform efficiently and contribute meaningfully to the development of the economy, the industry must be safe, sound and stable. Nigerian Banking Sector plays a very crucial role in the socio-economic development of the country and significantly contributes to the Gross Domestic Product of the nation (Ighoroje & Egedi, 2015). However, the sector has over the years experienced turbulence and in some cases failure. Between 2009 and 2019 according to NDIC (2020), the Central Bank of Nigeria (CBN) revoked the licenses of 8 failed banks. The federal high court issued orders for them to be wound up and appointed the Nigeria Deposit Insurance Corporation (NDIC) as liquidator of the banks (Wurim, 2013).

Nowadays, models that can predict the bankruptcy of a company are of interest to various economic entities, such as banks, credit agencies, governments, and financial analysts, not to mention customers and suppliers. Indeed, from the 1990s onwards, various authors (Bredart, 2016; Manzaneque et al., 2016) have begun to investigate the link between financial distress and board committee characteristic, confirming the significant relationship between corporate governance variables and the predictive power of bankruptcy forecast models. However, despite the increase in the amount of research on board committee variables, which covers multiple disciplines. Scholarly literature on the topic is still limited and fragmented (Martín-de Castro et al., 2019), especially with regards to the role and impact of board committee characteristics on companies' turnarounds. Research tends to instead remain focused on the analysis of the impact of financial variables in predicting corporate defaults. Studies of this nature have been conducted in foreign countries like, Europe, Asia and others. There is a limited study of this nature in African region, and this study seeks to address this gap by expanding the existing study to include other countries in sub-Saharan Africa. From the best of researcher's knowledge there is a limited study of this nature in African region, and this study seeks to address this gap by expanding the existing study to include another country in sub-Saharan Africa.

Objectives

The main objective of this study is to ascertain the effect of board committee characteristics on bankruptcy risk in deposit money banks in Nigeria and South Africa. The specific objectives are to:

1. assess the effect of remuneration committee on bankruptcy risk of deposit money banks in Nigeria and South Africa.
2. evaluate the effect of risk management committee on bankruptcy risk of deposit money banks in Nigeria and South Africa.

LITERATURE REVIEW

Board Committee Characteristics

Board characteristics are unique characteristics describing those mandated in management of corporate entities. They include age, education qualifications, gender, board structure like board size, gender diversity and board tenure (Mwengei & Kosgei, 2017). Empirical scholars have documented that these features have impact on corporation performance (Breadart, 2014). Mark and Li (2001) documented that those elected as board members in a corporation have trinity role to play for example serves as link between internal and external organization environment, develop and nurture internal corporate governance principles and discipline non-performing managers. In this study empirical examination focused on audit committee structure, nomination committee, risk committee, Board gender diversity and independent directorship committee.

Remuneration Committee

The RC is evolving to become one of the most prominent issues of the global economy. The RC is recognizing the importance of growth and profitability of a company by focusing on the RC of the company and reporting its' performance, there have been many discoveries of the possible benefits that companies may receive (Chung & Wei, 2017; Mintah, 2015). Many studies show that in firms with better governance, there are less instances of opportunistic behaviour by managers. Better governance, indeed, helps to align the interests of managers and shareholders boosting the corporate financial performance.

Remuneration committee (RC) is very important to any organization, particularly quoted companies. Concerns for corporations to make profit have received several attentions based on the numerous amount of scholarly works available, directed at improving firms' profitability. For example, Aliyu, Yahaya, & Mohammed (2021) related profitability with

board of directors. Igbal and Kakakhel (2016) examined the role of remuneration committee in financial performance. Khan, Shinwari, Ahmed, & Sulaiman, (2021) compared RC with firm financial performance.

H_{01a}: Remuneration committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria.

H_{01b}: Remuneration committee has no significant effect on bankruptcy risk of deposit money banks in South Africa.

Risk Management Committee

The Risk Management Committee (RMC) is an independent committee whose major and sole function is the establishment of policies relating to risk in the company's operations as well as the execution of such rules. The committee assists the board of directors in the performance of its regulatory responsibilities with respect to the corporation's risk tolerance, risk control, and enforcement procedures, among other things (Lamidi et al, 2022). Tolerance for risk refers to how much and what kind of risk an organization is willing and able to tolerate in its market activities, regardless of the company's corporate goals or stakeholder responsibilities. It is certain that a poorly functioning risk management system would result in losses for a company, either directly or indirectly. For example, the global economic slump, high production costs leading to a drop in production activities, and an increase in inflation, which reduces customers' buying power, among other factors, have resulted in falling company performance and discontinuity in the operations of businesses (Halim, et al 2017). As a result, with the threat of bankruptcy on the horizon, businesses must factor risk into their planning, management, and decision making processes. Managers are required to identify and manage risks inside their organizations, which necessitates the implementation of an enterprise risk management system within the organization. Subramaniam (2009) argued that an effective and efficient risk management system helps organizations achieve their business objectives, increase the quality of corporate reporting and protect their goodwill by reducing their exposure to risk. For a risk management system built by an organization to be effective, it must be subjected to appropriate oversight. Companies, as a result, tend to establish a Risk Management Committee (RMC), which is separate from the audit committee and is responsible for managing the risks of the organization (Lamidi et al, 2022).

Risk committee has the ability for the immediate identification, prioritization and oversight economic risk, and in addition backing internal audit review functions of the audit review committees (Fraser & Henry, 2007). The stakeholders can hope their personal satisfaction of

financial instruments regulations are higher along with organizations existing RCs over to organizations having no such committees. This may be as a result RC oversees different financial dangers that confronted towards the firm, subsequently those financial reporting value may be significantly improved (Yatim 2010). Research on risk committee is very limited. Previously, majority of moments, role of risk assessment falls under audit committee review. However, Yatim (2010) proposed that the development of risk assessment board in Malaysia is not just connected with competent structure of board, extent of the entity and the unpredictability of a company's operations, but also their role linked with big 4 audit review firms which have been connected with high-quality regulations. Likewise Risk committee has been accounted for to a competent board of directors (Yatim 2010).

The function of this committee is to oversee the financial reporting process and ensure that all relevant and material information are disclosed (Edogbanya & Kamardin, 2015). The risk management committee in some of the affected companies was found to have been negligent in monitoring risk of the companies (Kashyap, *et al* 2008). This is why companies have separate risk management committees composed of directors with the required skills to monitor risks facing companies and ensure safeguards put in place to mitigate the risks are adequate to current situation. Thus, poor monitoring of risks within various companies led to some of the management taking high risk, and that resulted in significant losses for companies that affected their overall performance.

H_{02a}: Risk management committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria.

H_{02b}: Risk management committee has no significant effect on bankruptcy risk of deposit money banks in South Africa.

Bankruptcy Risk

The term “risk” comes from Arabic, and expresses an unexpected event. Risk is usually defined as something unstable, indefinite which is related to the course of phenomenon and disturbs its behavior. Key definition of risk was introduced by Šoti'c and Raji'c (2015) who said that “risk is the measure of probability and the weight of undesired consequences”. The risk is defined as the state of imperfect knowledge when the decision-maker is aware of the various possible consequences of his decision and is able to estimate the degree of probability that this or that result occurs (Bugarová & Maria 2012). Businesses have to face certain risks, whether financial, commercial, informational or personal.

The essential information for executive financial decisions, but also for investors decisions are provided by financial statements. Thus, companies' financial managers should develop the financial performance analysis and problem-solving skills (Burns & Balvinsdottir 2005; Scapens 2006), without limiting their duties in verifying accounting data (Diakomihalis 2012) in order to maintain the firm attractive for investors. The image of financial performance of companies is affected by the estimation of its position in front of investors, creditors, and stakeholders (Ryu and Jang 2004). For this estimation there are used many indicators that reflect the company's position such as: net working capital, net treasury, liquidity, solvency, profitability, funding capacity, cash-flow, etc., or a mix between them, such as Z-scores.

From about 1985 onwards, the Z-scores gained wide acceptance by auditors, management accountants, courts, and database systems used for loan evaluation (Eidleman, 2003). The formula's approach has been used in a variety of contexts and countries, although it was designed originally for publicly held manufacturing companies with assets of more than \$1 million. Later variations by Altman were designed to be applicable to privately held companies (the Altman Z'-Score) and non-manufacturing companies (the Altman Z"-Score). Altman's 1968 model took the following form -:

$$Z = 1.2A + 1.4B + 3.3C + 0.6D + .999E$$

$Z < 2.675$; then the firm is classified as "failed"

Where:

A = Working Capital/Total Assets

B = Retained Earnings/Total Assets

C = Earnings before Interest and Taxes/Total Assets

D = Market Value of Equity/Book Value of Total Debt

E = Sales/Total Assets

Altman's Revised Z-Score Model

Rather than simply inserting a proxy variable into an existing model to calculate the Z-Scores Altman advocated for a complete re-estimation of the model, substituting the book values of equity for the Market value in D. This resulted in a change in the coefficients and in the classification criterion and related cut-off scores. The revised Z score model took the following form:

$$Z' = 0.717T1 + 0.847T2 + 3.107T3 + 0.420T4 + 0.998T5$$

Where:

$T1 = (\text{Current Assets} - \text{Current Liabilities}) / \text{Total Assets}$

T2 = Retained Earnings / Total Assets

T3 = Earnings before Interest and Taxes / Total Assets

T4 = Book Value of Equity / Total Liabilities

T5 = Sales/ Total Assets

Zones of Discrimination:

$Z' > 2.9$ -“Safe” Zone

$1.23 < Z' < 2.9$ -“Grey” Zone

$Z' < 1.23$ -“Distress” Zone

Empirical Review

Mohammed and Onipe (2023) ascertained extent firm overall quality of board of directors reduces its bankruptcy risk. Using 129 listed firms over a period of five (5) years (2017-2021), the study employed the Generalized Method of Moments approach to cope with possible endogeneity Board of directors' characteristic show mix results, for example, board independence, board female gender, board size show negative significant effects; board meetings (positive) and board ownership (negative) show insignificant effects. In terms of the three control variables, leverage, firm size and big4 show negative significant effects. The results are consistent with the notion that shareholders of firms with better boards quality are able to force managers to take measures to avoid or reduce bankruptcy risk, thereby ensuring that the going concern remains in place.

Aliyu, Onipe and Samuel (2023) assessed the effects of board characteristics on financial performance of 14 listed banks in Nigeria for five (5) years (2018-2022). Board size, board independence, board gender, and board meetings serve as proxies for board characteristics. Financial performance is proxy by return on assets. Secondary data were extracted from the annual reports and accounts of the listed banks. Correlational research design was employed as the research design. egression method employed was panel data regression. The study revealed that board meetings, board gender diversity and board independence show insignificant effects on financial performance.

Lamidi et al, (2022) determined the characteristics of risk committees as well as their effects on the financial performance of deposit money banks (DMBs) in Nigeria. The study made use of secondary data gathered from the bank's annual reports, and 13 deposit money banks were chosen as a sample using the purposive sample technique. The data was analyzed using the

panel regression approach. Using a fixed effect model, the study discovered that the size and independence of risk management committees have a negative impact on the financial performance of deposit money banks in Nigeria, while the size of the committees is insignificant. Gender diversity and meetings have been shown to have a positive impact on the financial performance of DMBs in Nigeria.

Khiem (2022) examined the effect of corporate governance on the relationship between the macro and micro factors causing financial distress in 240 Vietnamese listed non-financial firms. The study applied an endogenous switching regression model (ESRM). The research clarifies that a firm with strong corporate governance practice has a low probability of financial distress compared to a weak corporate governance firm. Moreover, the risk of financial distress is significantly reduced when improving the corporate governance practice.

Maier and Yurtoglu (2022) analyzed classic Z-Score models using panel data comprising 2,519 listed non-financial firms from 29 European countries from 2012 to 2020. The study reported that board independence is associated with lower risk of bankruptcy. The presence of female directors on board reduces bankruptcy risk. While board independence and diversity decrease bankruptcy risk in financially non-distressed firms, they have the opposite effect in financially distressed firms.

Cho et al. (2021) ascertained the effect between the gender-diversity and bankruptcy risks in Chinese-listed manufacturing firms using a sample of 4,079 firm year observations from 2005 to 2016. The study found that at the executives' level, firms with greater gender-diversity have a propensity for bankruptcy risk compared to firms with lower gender-diversity. Handriani et al. (2021) explored the effect of board size, board independence, and institutional ownership on financial distress for a sample of nine manufacturing companies listed on the Indonesia Stock Exchange with 300 observations spanning from 2010 to 2018. The study found that institutional ownership and board independence have a significant positive impact on avoiding financial distress.

Safrida et al. (2021) tested the effect of corporate governance on bankruptcy prediction for a sample of 20 companies listed on the Indonesia Stock Exchange for the period 2016-2020. Using regression analysis, the results demonstrated a significant positive effect of the board of directors, board of commissioners, independent commissioners, and audit committee on the prediction of bankruptcy. The results also revealed a significant negative influence of Institutional ownership and managerial ownership on bankruptcy prediction.

Joshua, Efiong, and Imong (2019) determined corporate governance and financial performance of listed deposit money banks (DMBs) in Nigeria. The study covered listed DMBs listed in the Nigerian Stock Exchange (NSE) for a ten-year period from 2007–2016 and data were obtained from their annual financial reports. Data were presented using tables and analyzed using panel data regression. The revealed that board size had a positive but insignificant relationship with performance. It was also observed that audit committee, board composition and bank size all had positive and significant relationships with return on asset. Abri, Arumugam and Balasingam (2019) carried out a study to determine the impact of corporate governance on financial statement fraud. Specifically, the study examined the impact of audit committee, tone at the top level management, independence board of directors, policies and ethical guidelines and corporate culture on financial statement frauds. Univariate, bivariate and multiple regression modelling analyzed the data. Study findings documented that there was significant and inverse impact of corporate governance and financial statements fraud.

Ayoola and Obokoh (2017) studied the effect of corporate governance on financial distress of Nigerian banks. Specifically, the study investigated the effect of board, audit committee, executive management, and auditor on financial distress. Panel data was gathered among 20 banks from 2005 to 2015. Descriptive statistics and quantile regression modelling analyzed the data. It was documented that financial distressed banks have large boards and its board had limited banking knowledge. Management shareholding of chairperson and CEO was high, and it amplified likelihood of financial distress.

Madushanka, *et al* (2017) studied the effect of board configuration on financial distress of listed firms in Colombia securities exchanges. Bivariate methods analyzed the data. Study findings established non-significant relationship between CEO duality and financial distress. Though, classical modelling analyzed the data, no diagnostic test was executed thus there were high chances of drawing biased conclusions. In addition, it was appropriate to adopt panel data analysis instead of fitting ordinary least squares regressions. Thirdly, Colombia securities exchanges is different stage of economic and technological development consequently it may be better placed on data and information gathering as compared to NSE.

MATERIALS AND METHOD

This study adopted the *ex-post facto* research design. *Ex-Post-Facto* research design observes event (activities of companies as reduced to figures) after they have occurred (reporting year). In *Ex-Post Facto* studies investigation starts after the fact has occurred without interference from the researcher. The population of the study comprised of listed banks in the two selected sub-Sahara Africa countries (Nigeria and South Africa). Given the above, the study population is made up of twenty eight (28) banks in Nigeria; nineteen (19) in South Africa, totalling forty seven (47) banks of sub-Sahara Africa. Eight banks from South Africa were selected based on data availability up to 2024. For equal representative, the study employed eight Nigerian deposit money banks licence with international authorization.

Data were extracted from the annual reports and accounts of the selected banks in sub-Sahara Africa. The statement of financial position and comprehensive incomes provided data will use in computing the selected ratios from 2013-2024. The choice of this period is the year of mandatory adoption of IFRS for the respective countries: Nigeria (2012); and South Africa (2005). Besides, studies have shown that IFRS improves disclosure regimes in countries that adopt the standard. Hence, the decision to select 2012 year which is based on the most recent year of adoption as evidenced in Nigeria.

The data required were those of the dependent variable that include: Altman prediction model (working capital, retained earnings, earnings before interest and tax, equity as well as total assets and total book debts) and independent variables:

This was obtaining from the audited reports and accounts of the banks under assessment.

The study used Altman Model given as Zeta “Z”

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5 \dots\dots\dots \text{Eqn 1.}$$

Where:

- X_1 = Working capital to total assets
- X_2 = Retained earnings to total assets
- X_3 = Earnings before interest and taxes to total asset
- X_4 = Value of equity to total book debt
- X_5 = Gross earnings to total assets

The decision rule is that:

- (i). For $Z < 1.81$ Bankruptcy region
- (ii). For $1.81 < Z < 2.675$ High bankruptcy potential
- (iii). For $2.675 < Z < 2.99$ Low bankruptcy potential

(iv). For $Z > 2.99$ Strong (No sign of bankruptcy at all).

The Altman Model will be modified thus to incorporate corporate governance:

$$ATMN_{it} = a_0 + \beta_1 REC_{it} + \beta_2 RMC_{it} + \epsilon_{it} \dots \dots \dots \text{Eqn 2.}$$

Where;

ATMN= Altman Prediction Model

REC = Remuneration committee

RMC= Risk Management Committee

Table 1 Measurement of Variables

Variables	Abbreviation	Nature	Source/justification
Altman prediction	ATMN	Dependent variable	Ezejiofor, Nzewi & Okoye (2014); Mwawughanga and Ochiri (2017).
Remuneration committee	REC	Independent variable	Nomination committee is responsible for the selections of the members of the boards such as the remuneration and audit committee, etc (Tarry 2009).
Risk Management committee	RMC	Independent variable	A risk committee is entrusted with overseeing an entity's risk management process so as to create a solid risk management framework. Ibrahim, Okika, Yunusa, & Janada (2020),

Source: *Researchers' Compilation, 2024*

Data was analyzed with descriptive statistics, and the hypotheses will be tested with Pearson correlation, and multiple regression analysis. Since the focus of the study is to examine the effect of asset composition on financial performance, regression analysis becomes appropriate tool for it. Descriptive statistics employed to summarily describe the mean, median, standard deviation, kurtosis and skewness of the study variables. Inferential statistics will also be utilized with the aid of E-Views 9 using:

- a. Coefficient of correlation: which is a good measure of relationship between two variables that tell us about the strength of relationship and the direction of the relationship as well?
- b. Panel Regressions analysis: Regression analysis predicts the value the dependent variable based on the value of the independent variable and explains the impact or effect of changes in the values of the variables.

Accept the alternative hypothesis, if the Probability value (P-value) of the test is less than 0.05 (5%). Otherwise reject.

RESU.T AND DISCUSSIONS

Univariate Analyses

This sub-section presents the preliminary analysis of the data using descriptive statistics and correlation analysis of all the variables used in the study. The description was analyzed based on mean, maximum, minimum and standard deviations. The Skewness-Kurtosis (Jarque-Bera) statistics was also analysed for the purposes of the normality test of the data and preclusion of outliers. The result was presented in a comparative form to reflect the sample characteristics of both countries as regards all the variables of interest. Thereafter, regression analyses were presented, and the results were then interpreted and discussed.

Table 2 Descriptive Statistics

NIGERIA	ATMN	REC	RMC
Mean	54.87547	4.230769	3.615385
Median	0.210044	4.000000	4.000000
Maximum	652.9549	5.000000	4.000000
Minimum	0.055106	2.000000	3.000000
Std. Dev.	174.1820	0.803279	0.488860
Skewness	3.132913	-1.341805	-0.474342
Kurtosis	10.90951	4.997942	1.225000
Jarque-Bera	441.2242	48.50531	17.55271
Probability	0.000000	0.000000	0.000154
Sum	5707.049	440.0000	376.0000
Sum Sq. Dev.	3124955.	66.46154	24.61538
Observations	104	104	104
SOUTH AFRICA	ATMN	REC	RMC
Mean	2.621631	3.769231	3.846154
Median	0.313697	4.000000	4.000000
Maximum	13.71914	4.000000	5.000000
Minimum	0.049431	3.000000	3.000000
Std. Dev.	4.759249	0.423365	0.664922
Skewness	1.860766	-1.278019	0.179084
Kurtosis	4.563804	2.633333	2.246530
Jarque-Bera	70.61292	28.89370	3.016005
Probability	0.000000	0.000001	0.221352
Sum	272.6496	392.0000	400.0000
Sum Sq. Dev.	2332.996	18.46154	45.53846
Observations	104	104	104

Source: E-views 9 (2025)

From Table 2, it could be observed that the mean values of the bankruptcy risk (ATMN) stood at 54.875 and 2.622 for the Nigerian and South African samples respectively. Considering that the scientific value of Nigerian firms greater than South African firms. It implied that the Nigerian bankruptcy risk was more than their South African counterparts. On remuneration committee (REC), the mean values stood at 4.239 and 3.769 for Nigerian and South African

banks respectively which implied that banks in both countries maintained optimum committee. But the mean values suggested that the Nigerian sampled banks had more number of committees than the South African banks. Similarly, the mean values of the risk management committee (RMC) revealed that about 3.615 of Nigerian banks and 3.814 for South African banks. It also meant that the South African banks have higher risk management committees than Nigerian banks countries sampled.

The kurtosis of 10.90951, 4.997942, and 1.225000, for Nigerian banks ATMN, REC and RMN showing a distribution that is strong, suggesting a concentration of values around the mean with potential outliers, while 4.563804, 2.633333 and 2.246530, for South African banks ATMN, REC, and RMN showed similar results. The Jarque-Bera probability of 0.000000, 0.000000 and 0.000154 confirms that the ATMN, REC and RMN data is significantly non-normally distributed showed that traditional parametric analyses may need to be approached with caution. On the Jarque-Bera test of goodness-of-fit, the result suggested that only the data on firms in the Nigerian and South African sample banks followed a normal distribution.

Multicollinearity Test

Table 3: Pearson Correlation Matrix

NIGERIA	ATMN	REC	RMC
ATMN	1		
REC	-0.09116	1	
RMC	0.24952	-0.76073	1
SOUTH AFRICA	ATMN	REC	RMC
ATMN	1		
REC	-0.33567	1	
RMC	0.49497	-0.12734	1

Source: E-Views 9 Correlation Output, 2025

The outcome of the correlation matrix was presented in Table 3. In the first part which focused on the Nigerian banks, the measures of risk management committee (RMC) 0.250 was positively correlated with the bankruptcy risk (ATMN), while remuneration committee (REC) -0.091 =was negatively correlated with the bankruptcy risk (ATMN). Furthermore, in the second part of the result presented in table 4.2 (using only the South African banks), it could be observed that only the measure of remuneration committee (REC) was negatively correlated with the bankruptcy risk, but the risk management committee (RMC) 0.495 has positive correlation with the bankruptcy risk

It could also be observed from the two parts of tables 3, South African risk management committee (RMC) showed the highest correlation coefficient at 0,495 which was an indication that the issue of multicollinearity was likely absent among the distributions since Hair, Black, Babin and Anderson (2010) posited that multicollinearity problem was likely present when the correlation coefficient is above 0.90.

Test of Hypotheses

Hypothesis One

- H_{01a}: Remuneration committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria.
- H_{11a}: Remuneration committee has significant effect on bankruptcy risk of deposit money banks in Nigeria.
- H_{01b}: Remuneration committee has no significant effect on bankruptcy risk of deposit money banks in South Africa.
- H_{11b}: Remuneration committee has significant effect on bankruptcy risk of deposit money banks in South Africa.

Table 4a: Regression analysis between REC and ATMN (Nigeria)

Dependent Variable: ATMN
 Method: Panel Least Squares
 Date: 06/11/25 Time: 07:54
 Sample: 2012 2024
 Periods included: 13
 Cross-sections included: 8
 Total panel (balanced) observations: 104

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	138.5064	92.05796	1.504557	0.1355
REC	-19.76732	21.38083	-0.924535	0.3574
R-squared	0.308310	Mean dependent var		54.87547
Adjusted R-squared	0.301412	S.D. dependent var		174.1820
S.E. of regression	174.3049	Akaike info criterion		13.17853
Sum squared resid	3098985.	Schwarz criterion		13.22939
Log likelihood	-683.2837	Hannan-Quinn criter.		13.19914
F-statistic	0.854765	Durbin-Watson stat		2.102383
Prob(F-statistic)	0.357390			

Source: E-views 9 Output (2025)

Table 4b: Regression analysis between REC and ATMN (South Africa)

Dependent Variable: ATMN

Method: Panel Least Squares

Date: 06/10/25 Time: 09:28

Sample: 2012 2024

Periods included: 13

Cross-sections included: 8

Total panel (balanced) observations: 104

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.84449	3.976617	4.235884	0.0000
REC	-3.773411	1.048491	-3.598897	0.0005
R-squared	0.512674	Mean dependent var	2.621631	
Adjusted R-squared	0.503974	S.D. dependent var	4.759249	
S.E. of regression	4.505040	Akaike info criterion	5.867314	
Sum squared resid	2070.129	Schwarz criterion	5.918168	
Log likelihood	-303.1003	Hannan-Quinn criter.	5.887916	
F-statistic	12.95206	Durbin-Watson stat	2.908165	
Prob(F-statistic)	0.000495			

Source: E-views 9 Output (2025)

In Tables 4a and 4b, a simple least square regression analysis was conducted to test the effect between remuneration committee (REC) and bankruptcy risk (ATMN) for Nigerian and South African deposit money banks respectively. The R-squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 4a, Nigerian value of R squared was 0.30, an indication that there was variation of 30% on ATMN due to changes in REC. This implies that 30% changes in ATMN could be accounted for by REC, while 70% was explained by unknown variables that were not included in the model. However, table 4b, South African value of R squared was 0.50, an indication that there was variation of 50% on ATMN due to changes in REC. This implies that 50% changes in ATMN could be accounted for by REC, while 50% was explained by unknown variables that were not included in the model.

The Durbin-Watson Statistic of 2.10 and 2.91 for Nigeria and South Africa respectively suggests that the both model does not contain serial correlation. The F-statistic of the regression is equal to 0.855 and 12.952. The associated F-statistic probability is 0.357, for Nigerian banks and 0.000, for South African banks.

The hypothesis stated that remuneration committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria (H_{01a}) and South Africa (H_{01b}). The evidence provided by the regression result of model 1 showed that the variable of remuneration committee had a negative coefficient of -19.76732 and a p-value of 0.357 which was not significant at 5%

level for Nigerian deposit money banks; while the outcome of model 2 showed a negative coefficient of -3.773411 (p-value 0.000) for deposit money banks in South Africa, but has a significant effect. It meant that there was not significant effect between remuneration committee and bankruptcy risk in Nigeria while there was a significant effect between remuneration committee and bankruptcy risk in South Africa, howbeit negatively and negatively respectively.

Hypothesis Two

- H_{02a}: Risk management committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria.
- H_{i2a}: Risk management committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria.
- H_{02b}: Risk management committee has no significant effect on bankruptcy risk of deposit money banks in South Africa.
- H_{i2b}: Risk management committee has no significant effect on bankruptcy risk of deposit money banks in South Africa.

Table 5a: Regression analysis between RMC and ATMN (Nigeria)

Dependent Variable: ATMN
 Method: Panel Least Squares
 Date: 06/11/25 Time: 07:56
 Sample: 2012 2024
 Periods included: 13
 Cross-sections included: 8
 Total panel (balanced) observations: 104

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-266.5507	124.6266	-2.138794	0.0348
RMC	88.90512	34.16327	2.602359	0.0106
R-squared	0.462261	Mean dependent var		54.87547
Adjusted R-squared	0.453068	S.D. dependent var		174.1820
S.E. of regression	169.4973	Akaike info criterion		13.12259
Sum squared resid	2930392.	Schwarz criterion		13.17345
Log likelihood	-680.3749	Hannan-Quinn criter.		13.14320
F-statistic	6.772275	Durbin-Watson stat		1.998511
Prob(F-statistic)	0.010637			

Source: E-views 9 Output (2025)

Table 5b: Regression analysis between RMC and ATMN (South Africa)

Dependent Variable: ATMN
Method: Panel Least Squares
Date: 06/10/25 Time: 09:29
Sample: 2012 2024
Periods included: 13
Cross-sections included: 8
Total panel (balanced) observations: 104

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11.00450	2.403276	-4.578959	0.0000
RMC	3.542795	0.615804	5.753117	0.0000
R-squared	0.644995	Mean dependent var	2.621631	
Adjusted R-squared	0.637593	S.D. dependent var	4.759249	
S.E. of regression	4.155583	Akaike info criterion	5.705826	
Sum squared resid	1761.425	Schwarz criterion	5.756680	
Log likelihood	-294.7030	Hannan-Quinn criter.	5.726428	
F-statistic	33.09836	Durbin-Watson stat	2.613663	
Prob(F-statistic)	0.000000			

Source: E-views 9 Output (2025)

In Tables 5a and 5b, a simple least square regression analysis was conducted to test the effect between risk management committee (RMC) and bankruptcy risk (ATMN) for Nigerian and South African deposit money banks respectively. The R-squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the Table 5a, Nigerian value of R squared was 0.45, an indication that there was variation of 45% on ATMN due to changes in RMC. This implies that 45% changes in ATMN could be accounted for by RMC, while 55% was explained by unknown variables that were not included in the model. However, Table 5b, South African value of R squared was 0.64, an indication that there was variation of 64% on ATMN due to changes in RMC. This implies that 64% changes in ATMN could be accounted for by RMC, while 36% was explained by unknown variables that were not included in the model.

The Durbin-Watson Statistic of 2.61 and 2.00 for Nigeria and South Africa respectively suggests that the both model does not contain serial correlation. The F-statistic of the regression is equal to 6.772 and 33.098. The associated F-statistic probability is 0.011, for Nigerian banks and 0.000, for South African banks.

The second hypothesis of this study stated that risk management committee has no significant effect on bankruptcy risk of deposit money banks in Nigeria (H_{02a}) and South Africa (H_{02b}). The evidence provided by the regression result of model 1 showed that the variable of risk

management committee had a positive coefficient of 88.90512 and a p-value of 0.010 which was significant at 5% level for Nigerian deposit money banks; while the outcome of model 2 showed a negative coefficient of 3.542795 (p-value 0.000) for deposit money banks in South Africa, and also has a significant effect. It meant that there was a significant effect between risk management committee and bankruptcy risk in Nigeria while there was a significant effect between risk management committee and bankruptcy risk in South Africa, howbeit positively and positively respectively.

CONCLUSION AND RECOMMENDATIONS

The main objective of this study is to ascertain the effect of board committee on bankruptcy risk in deposit money banks in Nigeria and South Africa. The independent variables are; remuneration committee, and risk management committee, while Altman model for bankruptcy was employed for bankruptcy risk. Data were extracted from 2012 to 2024 from the audited annual reports and accounts of the sampled deposit money banks in Nigeria and South Africa.

From the analysis, the study revealed that remuneration committee had a negative and insignificant effect for Nigerian deposit money banks, while the outcome of South African showed a negative effect and also has a significant effect on bankruptcy risk. Risk management committee had a positive and significant effect on bankruptcy risk for Nigerian deposit money banks, but showed a negative and significant effect for the South Africa.

In view of this, the study recommended that:

1. The remuneration committee is recognizing the significance of growth and profitability of a bank, there is need for both countries to focused on this committee of their banks, hence the committee can influence executive behavior by structuring compensation that balance short-term and long-term goals, potentially reducing excessive risk-taking that could need to bankruptcy.
2. Since the risk management committee can influence the bankruptcy risk as the variety of perspectives that identifying the weakness of internal control and risk source that can easily use in checkmating bankruptcy. Both Nigerian and South African banks should make risk management committee more effective hence, to reduce the likelihood of bankruptcy by identifying and mitigating potential risk thereby reducing risk of financial distress.

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