ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

Characteristics of Risk Management Committee and the Earnings Capacity of Listed Deposit Money Banks in Africa

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Publication Date: 2025/06/03

Abstract: This study investigates the relationship between the characteristics of the Risk Management Committee (RMC) and the earnings capacity of listed deposit money banks in Africa. An ex-post facto research design was employed using secondary data from banks in Nigeria, Kenya, and Zimbabwe that had published financial statements consistently from 2013 to 2022. A purposive sampling technique was used to select eight banks listed on the respective national stock exchanges of the three countries. The analysis employed descriptive statistics, correlation matrices, and panel regression models. The findings show that RMC size has a statistically significant negative effect on earnings capacity at the 5% level, while RMC independence has a significant positive effect at the 1% level. However, RMC gender diversity, accounting and finance expertise, and meeting frequency did not exhibit statistically significant effects ($p > 0.05$) on earnings capacity. Based on these results, the study recommends that shareholders adopt a moderate approach when determining RMC size and prioritize the inclusion of non-executive directors. Greater RMC independence, particularly through the appointment of non-executive members, is suggested to enhance oversight and promote stronger financial performance among African banks.

Keywords*: Earnings Capacity, Risk Management Committee, Independence, Gender Diversity, Finance Expertise, Meeting Frequency, Committee Size.*

How to cite: Igbru Oghenekaro; Ukachi Maximowitz Tochukwu; Ike Odinaka Miriam; (2025) Characteristics of Risk Management Committee and the Earnings Capacity of Listed Deposit Money Banks in Africa. *International Journal of Innovative Science and Research Technology*, 10(5), 3062-3071. https://doi.org/10.38124/ijisrt/25may706

I. INTRODUCTION

Business successes could be measured by its ability to overwhelm risk. That heralds the philosophy of Odubuasi, et al. (2022) that a business can only be successful when it has reasonably managed the risks that confront it. Risk is seen as the uncertainty whose occurrence could affect a business circumstance (projects or investments and transactions) either negatively or positively. "Risk management involves a systematic and integrated process designed to identify, evaluate, and mitigate risks that could hinder the attainment of organizational goals" (Bahamid & Doh, 2017). Management of risk is not a guessed duty and needed people who are knowledgeable in areas of risks to handle risk matters of a firm. This brought to fore the definition that risk management is designed to make and improve the board of directors' capability to handle the risks troubling the enterprise (Ramlee & Ahmad, 2015).

Before the emergence of global financial crises of 2008, the totality of the risks of the organisations was put to the managerial therapy of audit committee of the board of directors (Elamer & Benyazid, 2018). However, poor risk management was seen to be the cause of series of corporate failures around the world, especially as risk management was within the purview of audit committee. Certain attributes of the risk management committee are believed to be solidifying factors to functionality of risk committee. Hence, literature records that RMC that has certain number of members on board would do wonders in checkmating risk; RMC that includes female on board would be more dogged and meticulous in their assignment; and RMC that meets frequently would have the tendency of smashing any intending risk (Yahaya & Ogwiji, 2021; Ibrahim, et al, 2020; Odubuasi, et al., 2020, Oghenekaro, Nkechi & Evi, 2023).

The global financial scandals of 2008, exposed inefficiency in risk management on the part of audit committee, who was overloaded with internal audit functions and ensuring adherence to regulations, as well as lacked the required skills needed to checkmate the emerging

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

risks (Odubuasi, et al., 2022, Oghenekaro & Ogheneovo, 2024). This led to the creation of board level standalone and independent risk management committee to oversee all risk exposures of the banks. Surprisingly, more crises continue to occur even in the face of RMC as in the case of delisted Skye Bank Plc, Diamond Bank Plc., and First Capital Investment & Trust Plc in 2019, 2019 and 2011 respectively (ngxgroup.com). These events stir the air and cause skepticisms in the mind of researchers and practitioners, on the ability of the firms to continuously be in business, by weathering the storm and push upwards economically amidst creating RMC.

Meanwhile, tremendous research had emanated in literature both internationally and locally, on the relationship between RMC and financial performance of firms. For instance; some researchers investigated RMC components effect on performance of banks in Nigeria (Yahaya & Ogwiji, 2021; Odubuasi, et al., 2020; Ahmed, et al., 2018; Eluyela, et. al., 2018), others examined the effect of RMC on financial performance of insurance firms in Nigeria (Ibrahim, et al., 2020; Araoye & Olatunji, 2019, Udezo, Agubata & Igbru). From overseas, Elamer and Benyazid (2018) sampled some financial institutions in United Kingdom as their scope in investigating RMC relationship with financial performance of the institutions; Kallamu (2015) from Malaysia examined the same subject matter on firms listed on the Bursa Malaysia Stock Exchange; Zemzem and Kacem (2014) did the same study on the lending institutions listed on Tunisian stock exchange; Odubuasi, et al., (2022) did the study on three African nations namely Nigeria, South Africa and Ghana although in combination with ERM as they affect firm performance.

In all these, it is discovered that only Oghenekaro and Nkeiru (2024), Odubuasi et al (2022) took a broad view of African nations but they just studied three different African nations out of total of fifty four countries, and they also suggested that further study be undertaken on more African nations to give Africa the necessary understanding needed to grow to greater economy. Therefore, this present study proposes to investigate RMC attributes on the earning capacity of quoted firms selected in African countries different from those countries used by previous scholars, although previous studies have examined corporate governance and risk management in relation to firm performance, there remains a significant gap in understanding the specific role of the Risk Management Committee (RMC) in influencing earnings capacity, especially within the context of African markets. Much of the existing literature focuses on broader corporate governance frameworks or is based on developed economies, leaving limited exploration into how particular RMC characteristics—such as committee size, independence, gender diversity, accounting and finance expertise, and meeting frequency—impact financial outcomes in African countries. This study fills that gap by analyzing these factors in relation to the earnings capacity of listed firms in Nigeria, Kenya, and Zimbabwe, thus offering valuable insights into the effectiveness of RMCs in emerging economies.

II. REVIEW OF RELATED LITERATURE AND DEVELOPMENT OF HYPOTHESIS

- *Earnings Capacity*

Earnings capacity of a firm is the measure of a firm's ability to gain economic recognition by generating adequate returns on investment. The economic essence of any firm is to make profit to be able to service the debts of the creditors and as well have enough leftovers for the shareholders. Yahaya and Ogwiji (2021) defined earning capacity in terms of profitability as the responsibility of management under the direction of the board, in the final analysis in which management is responsible for making profit. A company that makes no profit consistently for a long time will definitely collapse. Odubuasi, et al. (2022) added that earning is a basis for quantifying the financial health of a firm as regards to how its resources have been used to generate returns. However, earnings strength of a firm could be measured in different ways for instance; by growth in profitability, production capacity, sales growth and utilization of the capital and financial resources (Omondi & Muturi, 2013).

Some common ratios expressing earnings which are mostly used in literature include; Return on Assets (ROA) as was found used (Abdullah, et al., 2017; Ramlee, & Ahmad, 2015); the use of Return on Equity (ROE) were also found in literature as was used in the following studies; (Odubuasi, et al 2022; Alawattegama, 2018, Udezo, Anichebe & Igbru, 2024); other ratio found is Tobin's Q as was used in the study that was conducted by (Ramlee & Ahmad, 2015; Anton, 2018). Another wonderful financial performance ratio found in literature is return on capital employed (ROCE) and it was used efficiently as the percentage of net profit that the management was able to generate using net assets of the organisation (Murtala, et al., 2018; Das, 2017). However, because of the enormous advantages that ROCE holds as in measuring the percentage of profit generated with the shareholders worth, this study therefore chose to employ the use of ROCE as a proxy for earnings capacity in this current study.

- *Risk Management Committee (RMC)*

Risk Management Committee (RMC) is the board's responsibility to identify, analyse, mitigate and control all the associated risks of the organisation that pose threat to the resources and earnings of the organisation. Pertinently, RMC is a subcommittee of the board whose duty it is to engage in risk policy formulation, risk monitoring and control in order to ensure that risks of the firm is minimally reduced (Odubuasi, et al 2020). Yahaya and Ogwiji (2021) in support opined that RMC is targeted at mitigating the organizational hazards in order to maximize the value of shareholders by improving performance, ensuring compliance with international standards, upholding transparency and enhancing balance between risk and return of the various investments of the enterprise. Abubaka, et al. (2018) asserts that RMC as a mechanism of board of directors is to protect the interest of the shareholders with regards to opportunistic behaviours of managers. Literature

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

has exposed certain attributes of RMC that foster enhancement of earning capacity.

- *Risk Management Committee Size and Earnings Capacity*

In their 2024 study, Oghenekaro and Nkeiru investigated the influence of gender diversity in risk management committees on the earning capacity of deposit money banks in Nigeria. The research adopted an ex-post facto design and relied on secondary data. The target population included all deposit money banks listed on the Nigerian Exchange Group (NGX) as of December 31, 2021. To be eligible for inclusion, banks were required to have consistently published their financial statements over a ten-year period spanning from 2012 to 2021. Using a purposive sampling technique, six banks were selected for the study. Data analysis was conducted using panel regression methods. The results showed that risk management committee size had a negative and statistically significant impact on earning capacity at the 5% level. Conversely, gender diversity within the committee exhibited a positive and statistically significant effect. Meanwhile, the number of risk management committee meetings had a negative but statistically insignificant influence on earning capacity.

RMC size stands to be composed of the directors that function as risk controllers in the RMC. Be that as it may, Odubuasi, et al (2022) defined RMC size as the number of persons (directors) appointed by the enterprise to be a member of and serve in the RMC. In the same understanding, large board size is believed to increase a company's ability to understand and respond to diverse stakeholders, and is tougher to manipulate as compared to boards with fewer seats (Pearce & Zahra, 1992). While the other school of thought believe that small sized RMC would be better for efficient management of members and for avoidance of complexities which abound in human communication (Abdullah & Ismail, 2015; Sanda, et al., 2011). Therefore the defense line for this school of thought is that coordination of large sized RMC might constitute communication problems that might lead to factions, which will be counterproductive to management profitability plans. Literature has too many records that RMC size is measured by the number of directors in the RMC. Simply put forward by Abubakar, et al (2018) that RMC size is the total number of risk committee members estimated for absolute terms, hand collected from the annual financial statement of the firms for the years under review.

Odubuasi et al. (2020) explored the effect of risk management committee (RMC) attributes on the financial performance of listed banks in Nigeria, covering financial data from 2009 to 2018. The study adopted an ex-post facto research design and obtained secondary data from the financial statements of selected banks. Descriptive statistics and ordinary least squares (OLS) regression were used for data analysis. The findings indicated that RMC gender diversity had a positive and statistically significant effect on return on equity (ROE), while RMC size and composition exhibited negative but statistically insignificant effects on ROE.

Ahmed et al. (2018) assessed the influence of RMC characteristics and financial expertise on the performance of banks listed on the Nigerian Stock Exchange (NSE) between 2014 and 2016. A total of 14 banks were sampled, and OLS regression analysis was applied. Results showed that RMC size had a positive but insignificant effect on return on assets (ROA), RMC independence had a negative and insignificant effect, and board financial knowledge had a negative and statistically significant effect on ROA at the 1% level.

Zraig and Fadzil (2018) studied the relationship between audit committee characteristics and firm performance in Jordan, focusing on 228 listed industrial and service firms over the period 2015–2016. Using OLS regression, the study analyzed the impact of audit committee size and meeting frequency on ROA and earnings per share (EPS). Findings revealed a negative relationship between audit committee size and ROA, while the relationship between audit committee size and EPS was positive and statistically significant. Drawing from the insights of these studies, the following hypothesis is proposed: *H_1: Risk management committee size significantly affects the earnings capacity of banks in selected African countries.*

- *Independence of Risk Management Committee and Earnings Capacity*

RMC Independent refers to the appointment of non-executive or outside directors to serve in the RMC. Abubakar, et al (2018) argued that engaging good numbers of independent directors as RMC members would ensure a high standard measure of freedom from the management. Their position is based on the fact higher number of risk committee membership would be difficult to be influenced by management. Further corroboration by Subramaniam, et al. (2009) maintained that RMC with larger number of nonexecutive directors has greater chance of conducting better risk analyses and risk oversight functions when compared to RMC with lesser number of nonexecutive directors. Meanwhile, Nigerian Revised Code of Corporate Governance of 2018 posited that publicly traded companies in Nigeria should be made of more numbers of non-executive directors and be headed by non-executive directors as well. Minton, et al. (2010) affirmed that RMC independence has the power to reducing insider risk taking activities that leads to reduction in losses, which would have emanated from financial crises.

Ibrahim et al. (2020) analyzed the relationship between risk committee (RC) attributes and the financial performance of insurance firms in Nigeria. Their findings indicated that RC size had a negative but statistically insignificant effect on return on assets (ROA). Similarly, RC independence was negatively related to ROA, though the effect was also not statistically significant. Furthermore, RC expertise showed a negative and statistically significant effect on ROA. In a related study, Onyali and Okerekeoti (2018) investigated how board heterogeneity affects corporate performance in Nigerian firms. Using a sample of 32 manufacturing companies listed on the Nigerian Stock Exchange (NSE), they employed an ex-post facto research

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

design and collected secondary data from company annual reports. Descriptive statistics, correlation analysis, and OLS regression were used to analyze the data. The study found that board size, the presence of females on the board, and board independence all had significant and positive effects on ROA. Elamer and Benyazid (2018) examined the link between risk committee characteristics and the performance of financial institutions, using data from 23 institutions over the period 2010 to 2014. Their results showed that RC size, RC independence, and the frequency of RC meetings had negative and statistically significant effects on ROA at the 1% level. Additionally, the presence of an RC and its independence were found to negatively impact financial performance, though these effects were not statistically significant. However, both RC size and meeting frequency also showed negative and significant impacts on return on equity (ROE). From the literature reviewed, the following hypothesis is proposed: *H_2: Risk management committee independence significantly influences the earnings capacity of banks in selected African countries.*

➢ *Risk Management Committee Gender Diversity and Earnings Capacity*

Risk committee gender diversity is the assessment of participation and involvement of female folks in the committee of risk management for proficient execution of their functions. From literature, Odubuasi, et al (2020) conceptualise RMC gender diversity as the inclusion of female directors in the RMC of the organisation. Including female director in a RMC is an indication of striving for effectiveness (Abdullah & Ismail (2015). An extended argument has it that female directors are more committed, more diligent and provide divergent views during discussions as well as provide greater oversight functions **(**Huse & Solberg, 2006). Presence of female in board committee could be measured in many ways; the percentage of female to all members in committee, proportion of female to men in the committee and the use of dummy variable where ‘1’ is assigned on the presence of woman, ‘0’ otherwise.

Yahaya and Ogwiji (2021) looked at risk committee traits and their effect on the performance of banks in Nigeria. They sample o13 banks from the period of 2010 to 2019 and analysed using descriptive statistics, normality distribution tests, correlation, Variance Inflation Factor, and OLS regression analysis. The results showed that RC size and RC independence have negative significant effect on ROA while RC presence, RC gender diversity and RC meetings have no significant effect on ROA. Andersson and Wallgren (2018) took a longitudinal data extracted from annual reports and accounts of 100 Swedish firms listed on the Nasdaq Stockholm, and investigate the effect of board gender diversity on financial performance of the firms sampled. The study covered 2013 to 2016 financial years. The data were analysed with descriptive statistics, correlation and OLS regression analysis. The results of the study proved that presence of one or more female has positive effect on financial performance of the firms investigated. Based on the literature review, the hypothesis is: *H_3: Risk management committee gender diversity has a significant effect on earnings capacity of banks in selected African countries.*

➢ *Risk Management Committee Account and Finance Expertise and Earnings Capacity*

The variable of account and finance expertise was introduced with the perception that committee members with account and finance skills is automatically equipped to understanding risks and how it works. As proposed by FRC (2012) that financial consultants and audit committee members should be seen as having financial competency when they have formal credential in accounting or finance, and need to have large expertise on corporate financial affairs. Elamer and Benyazid (2018) out as an addendum to FRC (2012) that addition of an accounting expert to the audit committee in UK firms must be seen as a requirement. Akhtaruddin and Haron (2010) added that RMC with expert directors have more tendency of better risk management as they have the requisite knowledge, skills and experience. Committee expertise can be measured as percentage of members with account and finance education to the total directors in the committee.

Odubuasi, et al. (2021) had a study on the effect of RMC and ERM on performance of banks in Nigeria. The study used ex post facto research design to cover from 2010 to 2019 financial years. Descriptive statistics, correlation and OLS panel regression analysis were deployed on data analysis. The study found that ERM and RMC attributes has joint positive significant impact on Nigeria banks while RMC account expertise has positive effect, RMC gender diversity has negative effect but the both have no significant impact on bank performance. Salaudeen, et al. (2018) investigated the impact of ERM on performance of companies listed on the consumer goods firms of NSE. They sampled twenty firms from the period of 2010 to 2015 financial years and analysed using descriptive statistics, correlation analysis and generalized regression analysis. The findings showed that existence of RMC, financial expertise of the board, RM size, and board size have significant impact on performance. Based on the literature review, the hypothesis is: *H_4: Risk management committee account and finance* expertise *has a significant effect on earnings capacity of banks in selected African countries.*

➢ *Risk Management Committee Meeting and Earnings Capacity*

The meetings of the RMC is a platform for discussing the risk matters of the enterprise, and it is believed that the more the committee members attend meetings (frequency of meetings), the more they show commitment to the cause of reduction of risk exposures of the firm. Odubuasi, et al (2020) purported that the primary aim of creating RMC is to ensure that risks are assessed, evaluated, managed and communicated diligently on a regular basis, to hasten any management action against risks. The meetings of the RMC is so vital that without it, the expertise, gender diversity, independent and other features of the committee would not have a platform of being put to use. Chou and Buchdadi (2017) added that more RMC meetings translate to more diligence while Abbott and Parker (2000) posited that the

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

more enhancement of relevant and faithful disclosure of conflicts and cogent issues that are beyond the risk appetite of the shareholders attended to. However, the Nigeria Revised Code of Corporate Governance of 2018 did set a standard that a minimum of two (2) meetings for RMC in a fiscal year is ideal, but may choose to have any such number of times as may be appropriate to discharge its duties. Moreover, RMC meeting is measured in literature as the number of meetings held by the RMC in a year.

Oyedokun (2019) determined the association between board characteristics and financial performance of commercial banks listed on Nigerian stock exchange from 2013 to 2017. Their study adopted ex post facto research design which allowed them collect secondary data from the financial statement of the firms. They adopted the use of descriptive statistics and OLS regression analysis. The result showed that board meetings have significant inverse effect on bank performance, while board size has no significant negative effect on financial performance. Araoye and Olatunji (2019) analysed the impact of board meetings on the performance of Nigerian insurance firms listed on the NSE. The study population is 35 insurance firms listed on the NSE from 2006 to 2017 and analysed using descriptive statistics, correlation analysis and panel regression OLS. The result from the analysis showed that board meeting has negative non-significant effect on financial performance. Based on the literature review, the hypothesis is: *H_5: Risk management committee meetings have a significant effect on earnings capacity of banks in selected African countries.*

➢ *Theoretical Review*

The challenge of separation of ownership from control led to the propagation of agency theory by Jensen and Meckling (1976). Some mechanisms of checks include board monitoring which they do through sub committees established (Kibiya, et al., 2016). Additionally, agency theory presents a view that the agents (managers) apply their discretion in taking decisions as it will suit them because they were given the powers to do that. So they mostly anchor on achieving short term benefits as against long term organizational objectives that will benefit the shareholders. The principal–agency problem can be greatly reduced through close monitoring and supervision alongside the creation of better incentives to motivate managers. Because of the relevance of agency theory in enforcing control on the management, using the mechanism of risk management committee of the board of Directors, we therefore anchor this on agency theory, seeing the magnificent role it plays to reduce agency conflict.

III. METHODOLOGY

➢ *Research Design*

Ex-post facto research design was used in the study. The choice of this research design was made because the event had already occurred, the data existed and the researcher had no intention to manipulate or has direct control over the data of the variables, but used them the way they appear. The population of the study comprises of thirty eight (8) banks listed on the various national stock exchange markets of the three selected countries in African nations, which are; Nigeria, Kenya, and Zimbabwe. The study applied purposive sampling technique in choosing the banks that were studied, by sieving out the banks that did not meet up our criteria. The criteria for inclusion in the selected sample are that the banks must be listed on the stock exchange market, and it must have started operation from 2013 financial year and should still be in operation in 2022. This means that total of eighteen banks were selected and used for the study. The banks selected for the study are: **Nigeria:** Stanbic IBTC Bank, United Bank of Africa, Zenith Bank, Access Holdings Plc, FBN Holding, and Guaranty Trust Holding. **Kenya:** Co-Operative Bank of Kenya, Equity Group Holdings, I&M Holdings, Kenya Commercial Bank, Standard Chartered Bank Kenya, and ABSA Bank Kenya. **Zimbabwe:** CBZ Bank, FBC Bank, First Capital Bank of Zimbabwe, GetBucks Microfinance Bank, NMBZ Holdings and ZB Financial Holdings. The panel regression analytical technique was conducted, on which random effect (RE) and fixed effect (FE) models, alongside Hausman effect (HE) test were prepared to indicate the better model that was interpreted between RE and FE models. Variance inflation factor was used to check the multicollinearity of the independent variables; we conducted also the test for Heteroscedasticity, which checked for the presence of an outlier.

➢ *Model Specification and Justification*

The model was adapted from the study of Oghenekaro and Nkeiru (2024) which we modified to suit our study. The adapted model is presented thus:

$$ROE_{it} = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCC_{it} + \beta_3 RMCG_{it} + \beta_4 LEVR_{it} + \beta_5 FSIZE_{it} + \varepsilon_{it} \quad \ldots\ldots (3.1)$$

In the course of amending the model, we removed some of the variables they used that include; ROE, LEVR and FSIZE and added ROCE, RMCE, and RMCM to make the model conform to our objectives. Thereafter the newly modified model of our study is presented in functional form as below:

ROCE= *f*(RMCS, RMCI, RMCGD, RMCAFE, RMCFM) ……………………..………………………………………… ……..…(3.2)

The econometric form of the model is in the equation as below;

$$ROCE_{it} = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCI_{it} + \beta_3 RMCGD_{it} + \beta 4RMCAFE_{it} + \beta_5 RMCFM_{it} \quad \ldots\ldots (3.3)$$

Where:

ROCE = Return on Capital Employed

RMCS = Risk Management Committee Size

RMCI = Risk Management Committee Independent

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

RMCGD = Risk Management Committee Gender Diversity

RMCAFE = Risk Management Committee Account and Finance Expertise

RMCFM = Risk Management Committee Frequency Meeting

β_0= Constant/ Intercepts

β_{1-5} = Regression Coefficients

ε = Error term

IV. PRESENTATION AND ANALYSIS OF RESULTS

➢ *Descriptive Statistics*

The descriptive statistics present information on the mean, maximum, minimum, standard deviation, median, and number of observations for the data collected over the period from 2012 to 2022.

Table 1 Descriptive Statistics

Stats	ROCE	RMCS	RMCI	RMCGD	RMCAFE	RMCFM
Mean	4.122775	5.388235	73.69575	18.75776	34.59789	4.114943
P50	3.83	5	76.39	14.29	33.3	4
Max	22.13	12	100	20	66.6	9
Min	18.99	0	0	0	0	0
Sd	3.777079	2.073182	28.71204	20.43261	13.2445	1.520004
N	180	180	180	180	180	180

Source: Stata 14 Output (2025)

The mean value of the sampled firms' ROCE was 4.12%, the median value was 3.83%. The figure indicated that average returns on capital employed by the banks in Nigeria, Zimbabwe and Kenya was 4%, meaning that performances below 4% is relatively low performance while ROCE above 4% is observed high performance above industry average. The ROCE standard deviation 3.7% is slightly lower than mean value of 4.1%. The average risk committee size (RMCS) of the banks in Nigeria, Zimbabwe and Kenya was 5 with a standard deviation of 2.07, It was seen from the table that the mean number of meeting held by the risk management committee (RMCM) of the Nigerian, Zimbabwe and Kenya banks in the period was 4.11 with a standard deviation of 1.52, The table in addition gave information that the Nigeria, Kenya and Zimbabwe banks had on average, 73.69% of non-executive directors to total directors in the risk management committee (RMCI) with a standard deviation of 28.71. Similarly, it was seen that on the average, three out of every eight directors in the committee or 34.6% of the directors in the risk management committee have account education (RMCAFE) with a standard deviation of 13.24. Moreover, the inclusion of female in the risk management committee is on the average of 18.75% of the directors with a standard deviation of 20.43%.

➢ *Correlation Analysis*

The correlation analysis measures the degree of association among the variables and the direction of their relationships. The relationship test is presented in the correlation matrix table below;

Table 2 Correlation Matrix

ROCE	RMCS	RMCS	RMCAFE	RMCGD	RMCFM
ROCE	1.0000				
RMCS	0.1798*-1.0000 0.0000				
RMCI	0.1790*-0.5391* -1.0000 0.0019 0.0000				
RMCAFE	0.1187 0.4782* -0.2024* 1.0000 0.0519 0.0000 0.0008				
RMCGD	0.0819 0.0436 0.2323* 0.0310 1.0000 0.4011 0.4768 0.0001 0.6127				
RMCFM	0.2412* 0.1179 0.0726 0.0013 0.1929* 1.0000 0.0112 0.0535 0.2351 0.9831 0.0015				

Source: Stata 14 Output (2025)

The correlation coefficient as presented on the table 4.2 above. The result shows that there exist an inverse and weak association between RMC size and firm earnings capacity measured by ROCE and their relationship is significant at 1% level (RMCS/ROCE= -0.18). A low and positive association exists between RMC independence and firm performance which is also significant at 1% level (RMCI/ROCE = 0.18). It can also be seen from the table

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

that RMC meetings has inverse and low relation with financial performance at 1% significant level (RMCFM/ROCE= -0.24). Moreso, the accounting and finance expertise of the risk committee members is negatively associating with performance of banks in the three nations (RMCAFE/ROCE= -0.12) which also is significant at 5% level. Among the independent variables, RMCM has positive and low relation with RMCS and RMCGD, but positive and very low relation with RMCI and RMCE, although significance exist between RMCFM and RMCGD at 1% level. RMCGD has positive low relation with RMCI (RMCGD/RMCI= 0.23) and also significant at 1% level.

In fact, the beauty of our correlation matrix is built on the ground that all our independent variables are not having any strong correlation with each other since none has correlation coefficient above 0.8.

➢ *Panel Regression Analysis*

The study employed panel regression analysis to ascertain the cause and effect links between our explanatory variables and the dependent variable. The result is presented in the Table 4.3 below.

Table 3 Summary of Panel Regression Analysis

	Fixed Effect Result	**Random Effect Result**
C	1.926 (0.037)**	1.257(0.295)
RMCS	-0.11 (0.031)**	-.131 (0.025)**
RMCI	0.02 (0.002)***	.022 (0.007)***
RMCGD	-0.005 (0.562)	-.002 (0.80)
RMCAFE	-0.002 (0.873)	.008 (0.63)
RMCFM	-0.03 (0.778)	-.041 (0.69)
F-statistics P-value	2.74 (0.019)**	12.12 (0.0332)**
R-squared	0.154	0.152
Hausman Test	Prob>chi^2 = 0.179	

Source: Researcher's Compilation (2025) (1).*, **, *** means – statistical significance at 10%, 5% and 1% level respectively. (2). Brackets () – represents P-values.

From the Table 4.3 above, it is seen that the F-statistics and its corresponding P-value were 2.74(0.019) and 22.12(0.0332) for fixed effect model and random effect model respectively. This shows that both models are valid for drawing inferences since they are both statistically significant at 5% levels. The R^2 for both models were shown as 15.4% and 15.2% for fixed effect model and random effect model respectively. These values indicate that 15.4% and 15.2% of the systematic variations in firm earnings capacity, measured with return on capital employed (ROCE) is explained by all the explanatory variables jointly used in our fixed effect and random effect models respectively.

For us to have a test for the cause-effect relationships between the explanatory variables and the explained variable in our model, the study adopts the two widely used panel data regression estimation techniques (fixed effect and random effect). The table 4.3 above contains the two panel data estimation technique results. The fixed effect panel regression estimation was based on the assumption of no correlation between the error term and the independent variables, whereas that of the random effect is operated on the bases that the error term and the independent variables are correlated. The probability of the Hausman Test is 0.179, meaning that it is non-significant at 5% level, hence we accept null hypothesis and reject alternate hypothesis. And by the standard of Hausman Test, we select random effect panel regression result which is more appealing for our discussion and drawing conclusion.

From the Random effect result, it was revealed that RMC size (RMCS) has a significant negative effect on earnings capacity at 5% level; RMC independence (RMCI) has positive effect on earnings capacity at 1% level. RMC gender diversity (RMCGD) has no significant negative effect on earnings capacity at p-value >0.05, RMC account and finance expertise (RMCAFE) has no significant positive on earnings capacity at p-value >0.05 and RMC meetings (RMCM) has no significant negative effect on earnings capacity at p-value >0.05.

V. DISCUSSION OF FINDINGS

The regression result showed that RMC size has a significant negative effect on earnings capacity at 5% level. This empirical evidence is not in isolation in this line of thought, as it conforms to the result of Yahaya and Ogwiji (2021) who believe that risk committee size has opposite directional effect on the performance of Nigerian banks. Akinwole and Ajide (2020) also found that negative significant association exists between board size and firm performance. Furthermore, Odubuasi et al. (2022) concurs that risk committee size increases reduces the performance of banks in Nigeria. RMC independence has positive effect on earnings capacity at 1% level. The study consolidates some earlier studies in this area. It corroborates the results obtained by Yahaya and Ogwiji (2021); Kakanda, et al. (2017) who empirically found that inclusion of non-executive members in risk committee has significant effect on performance of banks. RMC gender diversity has no significant negative effect on earnings capacity at p-value >0.05. The result disagreed with the findings of Odubuasi, et al. (2021); Yahaya and Ogwiji (2021) that female in risk management committee is inversely and insignificantly affecting performance of banks in Nigeria. Similarly, the result falls in contrary with the finding by the study of

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25may706

Zemzem and Kacem (2014), that RMC gender diversity has positive and insignificant effect on the value of firms. RMC account and finance expertise has no significant positive on earnings capacity at p-value >0.05. The finding of this study is in agreement with that of Odubuasi, et al. (2021); Husaini and Saiful (2017) who found that risk management committee expertise do not have significant effect on firm performance. Conversely, the result disagrees with Ibrahim, et al (2020) who found that risk management committee expertise has negative statistical effect on ROA. RMC meetings has no significant negative effect on earnings capacity at p-value >0.05. The study by Elamer and Benyazid (2018) affirm that frequency of meetings of the RMC will retard the performance of the organisations. The finding is also in disagreement with that result of Aebi, et al. (2012) that meeting of the board committee of risk is negatively affecting performance of firms.

VI. CONCLUSION AND RECOMMENDATIONS

Establishment of standalone risk management committee at the board level raised mixed feelings if it had actually assisted in any way to improve performance of banks in African countries. Hence, that doubt necessitated this study which investigated risk management committee and earnings capacity of quoted firms selected in African countries. Three African nations: Nigeria, Kenya and Zimbabwe were chosen for the study from three different regions of Africa. East Africa, South Africa and West Africa respectively, and the banks listed on their stock exchange became the population. The empirical discovery shows that RMC size has a significant negative effect on earnings capacity at 5% level; RMC independence has positive effect on earnings capacity at 1% level. RMC gender diversity has no significant negative effect on earnings capacity at p-value >0.05, RMC account and finance expertise has no significant positive on earnings capacity at p-value >0.05 and RMC meetings has no significant negative effect on earnings capacity at p-value >0.05.

- *In Line with the findings of this study, the following Recommendations are made:*

The shareholders should try to maintain moderate size when appointing directors to the risk management committee. The standard for moderate size should be the minimum committee members as provided by code of corporate governance and the industrial average of 6 members.

The shareholders should strive to increase the non-executive directors appointed to the risk management committee and if possible, appoint only non-executive directors to the risk management committee as their independent opinion, courage and criticisms of CEOs has a proven empirical record of improving and enhancing profitability of African banks.

It is recommended that banks focus on appointing individuals to risk management committees based on their qualifications, expertise, and experience, rather than primarily aiming to achieve gender balance. This approach is suggested in light of concerns that increased female representation, when not aligned with relevant competencies, may have adversely affected the performance of some African banks.

The board of directors of the banks in Africa is advised to include in the risk management committee, good number of directors with account and finance expertise, who would understand easily the nature and behaviour of intending risks, and hasten actions to deter and prevent their occurrences.

Frequent meetings by the risk management committee with its associated allowances diminishes the profitability position of the banks hence, they are encouraged to engage members with expertise, skills and experience who could be proactive in risk management and reduce meetings of the committee to the minimum 4 times per annum as directed by the code of corporate governance.

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