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Risk Management Committee Gender and Likelihood of Financial Distress of Listed Deposit Money Banks in Nigeria

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ABSTRACT: *This study explores the effect of risk management committee gender diversity on the likelihood of financial distress among listed deposit money banks in Nigeria. The study utilizes the Nigerian Code of Corporate Governance 2018 as an instrumental variable to address endogeneity concerns related to the self-selection of gender diversity on the risk management committee. The dependent variable is the likelihood of financial distress, while the independent variable is the gender composition of the risk management committee. The sample size consists of 12 listed deposit money banks, and the data covers the period from 2017 to 2021. The analysis employs a two-stage regression analysis technique. The findings of this study reveal a significant positive effect of risk management committee gender on the likelihood of financial distress among listed deposit money banks in Nigeria. This suggests that a higher representation of a particular gender in the risk management committee is associated with an increased likelihood of financial distress. The results have important implications for policymakers, regulators, and banking institutions in Nigeria. The study highlights the need to consider gender diversity in risk management committees as a potential driver of financial distress. The findings call for proactive measures to promote a more balanced gender representation and inclusion in corporate decision-making processes within the banking sector. The findings emphasize the significance of gender diversity in risk management practices and provide valuable insights for stakeholders seeking to enhance risk assessment and mitigate the occurrence of financial distress in the banking sector.*

KEY WORDS: banks, financial distress, gender diversity, risk management, Nigeria

INTRODUCTION

Effective risk management is crucial for financial stability and sustainability in the banking industry. With increasing recognition of the role of diversity, gender composition of risk management committees has become an area of interest in assessing its effects on organizational outcomes, such as financial distress. The Covid-19 pandemic and Russia-Ukraine conflict have prompted increased interest in corporate governance practices, with the role of risk management committees being considered a panacea for reducing financial distress (Altman, 2021).

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RMCs are responsible for creating a risk management framework that defines a company's risk policy, appetite, and limits to protect shareholders' investments, so the committee could have a significant effect on the firm's probability of financial distress. However, concerns have been raised about the effectiveness of RMCs due to the alarming rate of financial distress experienced by banks in Nigeria, such as Union Bank of Nigeria, Diamond Bank, Afribank, Bank PHB, and Spring Bank.

Gender diversity has been given a high priority by *Principle* 2 of the Nigerian Code of Corporate Governance (NCCG) 2018, which states that the effective discharge of board and committee responsibilities is assured by an appropriate balance of skills and diversity, including experience and gender. However, there is still limited research on gender diversity in Nigeria regarding risk management committees and the likelihood of firms' financial distress. This is worth assessing as previous studies have suggested that women and men are quite different in respect to risk taking, preference, aversion and tolerance (Elisa & Guido, 2020; Saima & Arefin, 2022; Teodósio et al., 2022; Zalata et al., 2018). Drawing on the NCCG 2018, which serves as an instrumental variable, this study addresses potential endogeneity concerns related to self-selection biases and explores the causal link between risk management committee gender and the likelihood of financial distress. This study aims to address potential endogeneity concerns related to self-selection biases and explore the causal link between risk management committee gender and the likelihood of financial distress.Therefore, this study examines the effect of RMC gender composition on the likelihood of financial distress of listed DMBs in Nigeria. To guide this study hypothesis was formulated in a null form as:

H_{0_1}: *RMC gender does not have a significant effect on the likelihood of financial distress of listed DMBs in Nigeria.*

This study is one of the earliest attempts to directly link RMC gender diversity with the likelihood of financial distress in Nigeria, providing regulators with information on the effect of the 2018 Nigerian Code of Corporate Governance on the stability of DMBs in Nigeria. The study uses the Nigerian Code of Corporate Governance 2018 as an instrumental variable and conducts a two-stage regression analysis to unravel the effect of risk management committee gender on the likelihood of financial distress. The findings emphasize the importance of gender diversity in risk management practices and offer valuable insights for stakeholders seeking to enhance risk assessment and mitigate financial distress in the Nigerian banking sector. Policymakers and regulators can gain insights into the potential impact of risk management committee gender on financial distress, prompting them to consider policies promoting gender diversity in corporate decision-making processes. Banking institutions can also benefit from this research by reevaluating their risk management practices and ensuring a balanced representation of genders within their committees. Gender diversity is crucial for DMBs to ensure profitability and soundness, creating quality loans and creditworthy customers.

The paper proceeds as follows. Section 2 reviews the relevant literature review. Section 3 is methodology where population and sample selection, the model and the variables used in the

study were discussed. Sections 4 present the results of analysis and discussion of findings. Section 5 provides the conclusion and recommendations.

LITERATURE REVIEW

Conceptual Framework - Gender diversity is an endogenous variable that can affect a firm's likelihood of financial distress as it affects risk attitudes and risk taking. Previous literature has shown that women are more risk-averse than men, which affects their behaviours in management and auditing. This study investigates whether RMC gender diversity could influence a firm's likelihood of financial distress. The conceptual framework for this study is presented in Figure 1 RMC gender as the independent variable, financial distress as dependent variable, NCCG2018 as an instrumental variable and other three control variables.

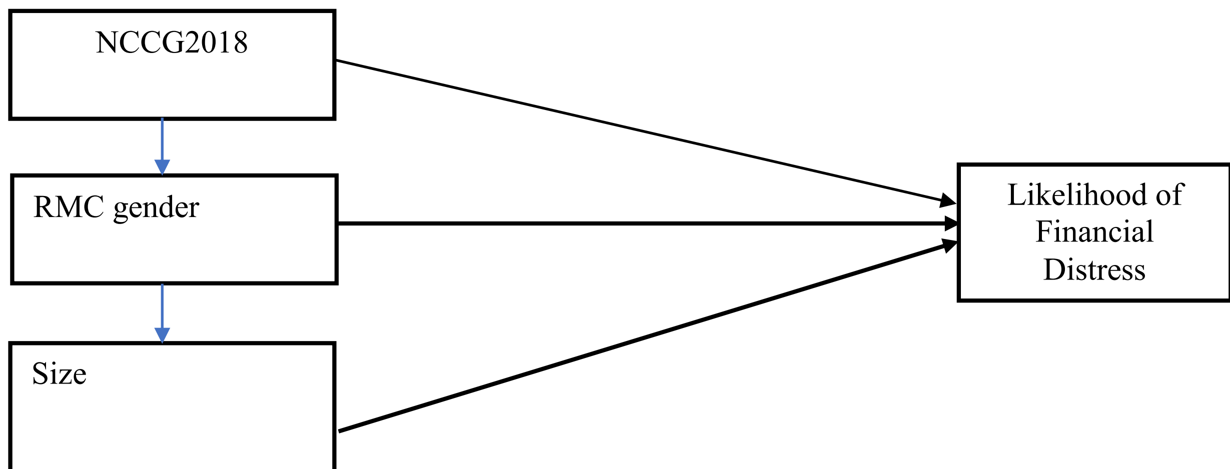

Figure 1: **Conceptual Framework of the Study**
Source: Field Work (2022)

This study examines the relationship between RMC gender diversity and financial distress in Nigerian DMBs as presented in Figure 1. . It uses the NCCG (2018) as a natural setting to control for potential endogeneity. The NCCG (2018) has been introduced to all listed companies in Nigeria, promoting gender diversity in board committees, including the RMC by the Financial Reporting Council (FRC) of Nigeria in *Principle* 2. Board gender composition impacts a firm's likelihood of financial distress, as RMCs analyze risk, develop risk strategies, and evaluate management performance (Jia & Bradbury, 2020; Kurniasih, 2021; Manual & Al-Tawqi, 2020).

RMC gender diversity: - RMC gender diversity is the proportion of women to the total number of RMC members. It is defined as the percentage of heterogeneity in relation to sex on RMC (Pelled et al., 1999; Sobral & Bisseling, 2012). According to previous literature, women are generally less inclined to act unethically and are more risk-averse and cautious in managing risks (Nguyen et al., 2008; Wang & Calvano, 2015; Abbas, 2020; Sudarman & Hidayat, 2020; Thiruvadi & Huang, 2011)). They are likely to provide fresh viewpoints and enhance the informational pool available to the company, which are essential for risk management (Huang

& Kisgen, 2013; Saggese et al., 2021; Zalata et al., 2022). Hutchinson et al. (2015) provided empirical evidence that organizations that do not take excessive risks have a higher chance of surviving during the global financial crisis.

Financial distress - Financial distress is a condition in which a firm is unable to generate enough funds to meet maturing financial obligations. According to Beaver (1966), it is synonymous with corporate failure and can lead to corporate bankruptcy if it is prolonged. To prevent the situation from getting worse, financial distress must be addressed as soon as it arises. Financial distress occurs when a company cannot fulfill its financial obligations, such as broken loan agreements, constant losses, or non-met obligations. This can lead to worsening operational conditions, high financial strain, and difficulty repaying creditors. Koske et al. (2019) note that financially distressed firms often face cash deficits on their asset side or past-due commitments on their liability side. This financial distress negatively impacts an organization's ability to continue operating and poses a threat to its survival.

Companies with diverse directors benefit from increased oversight and connections to local networks. Women are more risk-averse than men, making them more inclined to improve risk monitoring (Nelson, 2015; Schubert et al., 1999; Seppala, 2020). This can reduce uncertainty and protect businesses from financial distress. Risk management monitoring through the RMC's gender diversity can increase shareholders' wealth while lowering the risk of financial distress. Gender-diverse RMCs may broaden knowledge and foster innovative thinking, giving businesses a competitive edge in risk management (Jia, 2019; Huang & Kisgen, 2013; Zalata et al., 2022). However, the study assumes that RMC gender will have a negative and significant effect on the likelihood of financial distress of DMBs listed in Nigeria.

THEORETICAL REVIEW

This study is anchored on agency theory and upper echelons theory.

Agency Theory - Agency theory is a theory used to address the two problems that can arise in agency relationships: the agency problem and the risk-sharing conundrum. Agency problem, arises when the goals of the principal and the agent differ, while the risk-sharing conundrum arises when the principal and the agent may favor different courses of action due to various risk preferences. In the business world, there is an agency relationship between a firm's managers and its owners, since the owners assign daily management of their investment to managers (Jensen & Meckling, 1976, 2019).

Eisenhardt (1989) contends that outcome-based contracts and information monitoring systems are the key existing solutions to the agency problem. In addition, principals will employ behavioral contracts to keep an eye on their agents. For instance, principals must invest in information systems, reporting procedures, boards of directors, distinct layers of management, or market-related contracts to align their interest with that of management. Agency theory is useful in this study by aiding the expectation that RMC gender can help align the interests of managers and investors in terms of risk-sharing conundrum by the DMBs in Nigeria. It argues that corporate boards hold crucial power to monitor and resolve the conflict between the principals and the agents, which can be reinforced by increasing RMC gender diversity.

Independent thinking by female board members improves monitoring roles and managerial accountability, and hence, RMC gender diversity can be beneficial in making risky strategic choices. A higher ratio of gender diversity in the RMC improves performance through effective business supervision and alignment of risk preferences among managers and shareholders (Chen et al., 2019), which can reduce the probability of financial distress (Yousaf et al., 2021).

Upper Echelons Theory – Upper Echelons Theory suggests that top management team demographic features are crucial for improving business performance (Hambrick & Mason, 1984). Board diversity based on gender, age, education, skills, and tenure can influence top management decisions linked to corporate performance and the likelihood of financial distress (Mittal & Lavina, 2018). Female directors tend to make less risky business decisions and do not show overconfidence compared to their male peers (Croson & Gneezy, 2009), so firms with female directors tend to face less distress risk (Huang & Kisgen, 2013b). However, Adams and Funk (2012) noted that the presence of women on the board hardly ensures risk-averse decisions.

Campbell and Mnguez-Vera (2008) highlighted the issue of tokenism, where companies recruit female directors on ethical grounds. Women are often victims of tokenism due to factors such as minority representation in the boardroom, patriarchal system, educational background, and business expertise of females in least-developed countries; they are often times included on the board only to fill up female quotas (Chen et al., 2019; Mittal & Lavina, 2018).

Upper Echelons Theory suggests that the characteristics, experiences, and values of top executives influence the strategic choices and outcomes of organizations. Therefore, in relation to this study, gender diversity brings a variety of perspectives, experiences, and decision-making styles to the committee, which can affect risk identification, assessment, and management. In the context of financial distress, a gender-diverse Risk Management Committee (RMC) may have a positive impact, as it may have a broader range of viewpoints and risk preferences, leading to more thorough and effective risk management practices. This diversity can promote comprehensive risk identification, better decision-making processes, and consideration of a wider range of potential outcomes.

EMPIRICAL STUDIES

A large body of research has highlighted the effects of RMC gender diversity on the likelihood of financial distress (Chen et al., 2019; Elisa & Guido, 2020; Mittal & Lavina, 2018; Saima & Arefin, 2022b; Teodósio et al., 2022; Zhou, 2019). Mittal and Lavina (2018) empirically examined the effect of board gender diversity on financial distress using the sample of Indian-listed family firms for a period ranging from 2013 to 2016. Descriptive statistics and logistic regression have been used for data analysis. The results of descriptive statistics showed that on an average, there is 9% share of females on the board to a maximum of 28%. Further, females have a diminutive impact on financial distress since their presence on the board is very low. Females' percentage on the board was found to be significant and negatively associated with financial distress.

Jia (2019) using 2010 corporate governance principles and recommendations (CGPR) as a natural setting, investigated the relationship between risk management committee (RMC) gender diversity and a firm's likelihood of financial distress. Data were collected from the annual reports of the top 300 Australian Stock Exchange (ASX) listed companies from 2007 to 2021. To control for potential endogeneity, the association between (RMCGD) and a firm's likelihood of financial distress was investigated using an instrumental variable approach (panel 2SLS regression). Findings revealed that the proportion of women with financial experience on risk management committees is more effective in reducing the likelihood of financial distress compared to the proportion of men with financial experience on risk management committees.

Zhou (2019) investigated the effect of board member diversity on the probability of financial distress in China from 2005 to 2015. The study revealed that companies with women directors have a one-fourth lower likelihood of experiencing financial distress. These businesses have access to bank loans that are substantial in size, from more banks, and more frequently, which implies stronger financing capabilities and supports the gender diversity benefit. Additionally, companies with female directors exhibit notably different investment behavior, which is in line with the male-overconfidence theory of gender and have a substantial impact on insolvency status. Last but not least, companies with controlling female board members lessen the risk by implementing stricter internal governance, lowering agency costs, and limiting the actions of major owners who tunnel. According to this study, female directors have a significant impact on a company's financial health primarily through strategic and liquidity channels. After exogenous matching and an instrument variable approach, the results are stable when using the difference-in-difference method.

Ariska et al. (2021) assessed the effect of gender diversity and financial ratios on financial distress. The data used was secondary data from manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018 period. Logistic Regression Analysis was used to analyze the results, which showed that gender diversity, net profit margin, current ratio, and debt ratio had no effect on financial distress, return on assets had a negative effect, and working capital to total assets had a positive effect.

Lee and Thong (2022) examined contextual factors that affect the association between board gender diversity and firm performance and corporate financial distress risk. The authors use a global sample of listed firms in the tourism industry in 30 countries from 2015 to 2020. The findings showed that firm performance is positively associated with the proportion of female directors on a board. The positive association between firm performance and female directors on the board is higher in countries with stronger shareholder rights, securities law regulation, economic empowerment of women, and during the COVID-19 crisis. Corporate financial distress risk is lower in firms with higher female directors, while the negative association is more pronounced in countries with stronger gender diversity disclosure regulations, economic empowerment of women, and during the crisis.

Guizani and Abdalkrim (2023) examined the impact of board gender diversity on firm financial distress for a sample of 367 non-financial firms listed on Bursa Malaysia over the period from 2011 to 2019. The study employs both panel logistic regression and dynamic generalized

method of moments estimator to determine the impact of board gender diversity on the likelihood of financial distress. Findings shows that board gender diversity could help to improve board effectiveness by preventing corporations from being too exposed to financial distress and bankruptcy.

METHODOLOGY

This study examines 12 out of the 14 DMBs listed on the Nigerian Exchange Group (NGX) as of December 31, 2022. A sample size of 12 DMBs was used to ensure data availability. Jaiz Bank was excluded due to being listed after the base year and having a different financial reporting style. Also, Ecobank was excluded since it publishes financial reports in dollars in some years and the report does not contain RMC disclosure. The panel data analysis was used to avoid unobservable heterogeneity. Data for the study was collected from annual reports.

To determine if RMC gender diversity influences a firm's likelihood of financial distress, it is crucial to consider potential endogeneity between the variables. The reason is that RMC turnover may influence financial distress, which in turn affects RMC gender diversity. To address endogeneity and reverse causality, an instrumental approach, panel two-stage least squares regression analysis (2SLS), was adopted. This method addresses omitted variable bias and reverse causality, ensuring a more accurate and reliable analysis (Bascle, 2008).

The 2SLS regressions controlled potential endogeneity using NCCG2018 as an instrumental variable for RMC gender diversity. The instrument variable was expected to improve RMC gender diversity but not directly influence a firm's probability of financial distress. Estimation was conducted in two stages: first, RMC gender diversity was regressed against NCCG2018 and the control variable, calculating the predicted value of RMC gender diversity; and second, the likelihood of financial distress was regressed against the fitted value of RMC gender diversity. The models used to test the hypothesis for 2SLS are shown below:

First-stage model:

$$\boldsymbol{RMCGD_{i,t} = \alpha + \beta_1 \mathrm{NCCG2018}_{i,t} + \beta_2 Size_{i,t} + \varepsilon_{i,t}} \text{ -- } \mathbf{(1)}$$

Second-stage model:

$$\boldsymbol{FD_{i,t} = \beta_0 + \beta_1 \widehat{RMCGD}_{i,t} + \beta_2 Size_{i,t} + \varepsilon_{i,t}} \;\ldots\;\ldots..\mathbf{(3)}$$

The definitions of all of variables are summarised in Table 1.

The data is verified and audited by an external auditor. Six independent variables and a dependent variable, financial distress, are employed. The study presents the definition, measurement and sources in Table 1.

Table 1
Variable Definitions, Measurement and Sources

Variable	*Definition*	*Measurement*	*Source(s)*
	Dependent Variable:		
FD	Financial Distress	A circumstance in which a bank finds itself unable to meet financial obligations. It is measured by the bank $Z - Score$	(Ahamed & Mallick, 2019; Chiaramonte et al., 2015)
	Independent Variables:		
NCCG2018	2018 Nigerian Code of Corporate Governance	A dummy variable, taking a rate of 1 for observations after the year 2018, otherwise, 0	(Jia, 2019a)
RMCGD	Risk Management Committee Gender Diversity	Number of female directors on the RMC divided by the RMC's size	(Jia, 2019a)
Size	Financial institution size	Logarithms of Total Assets	(Jia, 2019a)

The likelihood of financial distress is a circumstance in which a bank finds itself unable to meet financial obligations. It is measured as:

$$FD = Z - Score = \frac{ROAA + ETA}{\sigma ROAA}$$

Where
ROAA = the bank's return on average assets,
ETA = Equity to Total Assets ratio
σROAA = Standard deviation of Return on Average Assets.
Z-Score = Financial Distress

In order to capture the changing pattern of the bank's return volatility, a five-year rolling time window was used to calculate σROAA. The Z-score reflects the number of standard deviations by which returns would have to fall from the mean in order to wipe out the bank's equity. Higher values of the Z-score are indicative of a lower probability of insolvency risk and greater bank stability, and vice versa.

The study analyzes data using descriptive statistics and multiple regression analysis in Stata version 14. Descriptive statistics measure central tendency and dispersion, while multiple regression analysis investigates the influence of independent variables on the dependent variable. To ensure accuracy, pre-estimation and post-estimation tests were conducted. Normality tests were conducted using histograms with fitted normal curves and the Shapiro-Wilk test. A bell-shape histogram with a fitted normal curve indicates normality, while an insignificant p-value of the Shapiro-Wilk test suggests normality. Heteroscedasticity was tested using a white test. Following extant literature, observed heteroscedasticity is corrected using

the New-West robust standard error approach. Multicollinearity was also checked among the independent variables using VIF and Pearson correlation. Correlation coefficients above ±0.7 suggest multicollinearity, and VIF greater than 10 is a serious concern. Furthermore, a Hausman test was carried out to decide between fixed or random effect models, as the data is panel-based. The Brusch-Pagan Lagrange Multiplier (LM) test was conducted to decide between a pooled Ordinary Least Squares (OLS) regression or random effect model. If a significant LM test is found, the random effect model will be used, but if a significant LM test is found, the pooled OLS effect model will be used.

RESULTS AND DISCUSSIONS

Table 2 presents descriptive statistics for the 12 listed DMBs on Nigeria between 2007 and 2021. The descriptive statistics include the mean, standard deviation, minimum and maximum.

Table 2
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FD	180	31.015	35.309	-48.29	180.778
RMCGD	180	.196	.164	0	.75
NCCG2018	180	.267	.443	0	1
Size	180	11.998	.571	8.564	12.967
RMCGD-Before 2018	133	.177			
RMCGD-From 2018	48	.250			

The RMCGD showed a wide distribution, ranging from 75% to 0%, with a mean of 19.6% (SD = 16.4%). This result indicates that women account for about 1/5 of the RMC of listed DMBs in Nigeria. More listed DMBs in Nigeria have included female directors on the RMC, with a mean RMCGD of 25% from 2018 to 2021 when the 2018 NCCG was introduced, compared to a mean RMCGD of 17.7% from 2007 to 2017 when the code of corporate governance did not specifically require gender diversity. The significant increase in RMCGD following the introduction of the 2018 NCCG (t = -2.4405, p = 0.0172) indicates a more significant role for females in corporate governance following the introduction of the 2018 NCCG.

The composition of the RMC in Nigeria is voluntary, so firms have no incentive to appoint more women on the RMC if it cannot generate value. The descriptive results may provide evidence regarding the value of having a high proportion of women on the RMC. The likelihood of financial distress had an average of 31.015% with a standard deviation of 35.309.

The Two-Stage Regression Results and Discussion

Table 3 provides the results of the panel regression model to predict the effect of NCCG2018 on the percentage of women on RMCs. The results show that the NCCG2018 had a significant and positive effect on the proportion of women on RMCs (RMCGD), thus supporting the use

of NCCG2018 as an instrumental variable. This indicates that the NCCG2018 significantly improves the RMCGD. In relation to the control variable, the results revealed that the *size* of the sampled banks, measured by the logarithm of total assets, was significantly and positively related to RMCGD, which suggests that larger listed DMBs in Nigeria have more RMC gender diversity.

Table 3
First Stage Equation showing effect of NCCG2018 on RMCGD.

RMCGD	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
NCCG2018	.067	.02	3.36	.001	.027	.106	***
Size	.056	.021	2.61	.010	.014	.098	***
Constant	-.491	.256	-1.92	.056	-.995	.014	*

Mean dependent var	0.196	SD dependent var	0.164
R-squared	0.529	Number of obs	180
F-test	10.282	Prob > F	0.000
Akaike crit. (AIC)	-270.661	Bayesian crit. (BIC)	-261.082

**** p<.01, ** p<.05, * p<.1*

The study conducted post-estimation tests to verify the validity of the two-stage regression. Anderson-Canon LM statistics were used to test under-identification of instruments, which occurs when the number of instruments is less compared to endogenous variables. The significant p-value of Anderson-Canon LM statistics indicates no under-identification problem (LM-statistics = 11.434, p = 0.0007). The study also tested for weak instrument identification to determine NCCG2018's effectiveness in predicting RMCGD. The results confirmed NCCG2018 as a good instrument ($\beta_{NCCG2018}$ =.0666, t = 3.36, p = 0.001), as confirmed by the Stock-Yogo weak ID test. Sargan tests were conducted to ensure instruments were not significantly correlated with the error term in the system, and the result revealed that the equation was correctly identified with a valid instrument. Finally, endogeneity tests showed no endogeneity in the system, as a Pegan-Hall general test showed homoscedasticity in the disturbance term ($x^2 = 9.143, p < 0.7621$)

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Table 4

Second Stage Equation showing the effect RMCGD on the likelihood of financial distress.

FD	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
$\widehat{RMCGD}$	412.336	82.454	5.00	.000	249.543	575.129	***
Size	-19.703	7.917	-2.49	.014	-35.334	-4.073	**
Constant	186.6	84.996	2.20	.030	18.787	354.412	**

Mean dependent var	31.015	SD dependent var	35.309
R-squared	0.223	Number of obs	180
F-test	13.203	Prob > F	0.000
Akaike crit. (AIC)	1753.572	Bayesian crit. (BIC)	1763.151

*** *p<.01,* ** *p<.05,* * *p<.1*

Table 4 shows the 2SLS analysis of the effect of RMCGD on the likelihood of financial distress of listed DMBs in Nigeria. The coefficient of the RMC's female proportion ($\widehat{RMCGD}$) is significantly and positively related to the likelihood of financial distress (t = 5.00, p < 0.001), leading to a rejection of H_{0_1}. Thus, this study concluded that RMC gender diversity has a significant effect on the likelihood of financial distress of listed DMBs in Nigeria. An increase in women's percentage on the RMC leads to a 412.336 percent decrease in the likelihood of financial distress of listed DMBs in Nigeria. This suggests that firms with high gender diversity are perceived as having a low likelihood of financial distress. This may be due to the market's belief that women are better at monitoring and reducing excessive risk-taking behaviors, which decreases the firm's likelihood of financial distress. This result conforms with the findings in Ariska et al. (2021); Guizani and Abdalkrim (2023); Jia (2019); and Lee and Thong (2022). These studies also found that RMC gender diversity can minimize the likelihood of financial distress.

This result dovetails with the upper Echelons theory. The Upper Echelons theory highlights the importance of risk management diversity, including gender, in reducing financial distress in firms. Top executives' characteristics, values, and experiences influence strategic decisions and outcomes. Gender diversity at the executive level contributes to more effective risk management strategies by fostering a wider range of viewpoints and insights. Additionally, gender diversity in the upper echelons can lead to more cautious decision-making, a more balanced assessment of risks, and enhanced innovation and adaptive capabilities. By fostering RMC gender diversity, listed DMBs in Nigeria tap into a wider range of skills, experiences, and perspectives, ultimately contributing to their resilience and risk management practices.

CONCLUSION AND RECOMMENDATIONS

This study aims to examine the effect of RMC on the likelihood of financial distress of listed DMBs in Nigeria. It aims to investigate the influence of the 2018 NCCG on RMCs and its effect on the likelihood of financial distress for listed DMBs in Nigeria. The findings show that

the introduction of the 2018 NCCG increased the proportion and existence of women on RMCs, while controlling for board gender diversity. This highlights the success of increasing both board and committee gender diversity in Nigeria. The study also investigates the effect of RMCGD and the likelihood of financial distress of listed DMBs in Nigeria. It hypothesizes that RMCGD may enhance risk management monitoring, reducing firms' excessive risk-taking behaviors and reducing the likelihood of financial distress. The results show that RMCGD is particularly important when firms experience high risk and highlight the benefits of having women with financial experience on RMCs.

The findings have implications for both practice and future research. In the short term, committee gender diversity should be encouraged by regulators in Nigeria. The study shows that women continue to be underrepresented on board committees, and having more women on RMCs could decrease the likelihood of financial distress. However, the study has limitations, such as its focus on Nigerian-listed DMBs, and the potential for regulatory pressure to improve risk management practices in other countries. Future research could explore other economic groups within a company. Additionally, the study found that women were underrepresented in RMCs, and future research could investigate whether this underrepresented group may be less willing to share their ideas compared to firms with more female members on the RMC.

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