UNIVERSITY OF GHANA

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RISK MANAGEMENT COMMITTEE CHARACTERISTICS AND BANK STABILITY

BY

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DECLARATION

Candidates' Declaration

I hereby declare that this project work is the result of my own original research and that no part of it has been presented for another Degree award to the University of Ghana, Legon or elsewhere.

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CERTIFICATION

We hereby certify that the preparation and presentation of this thesis was supervised in accordance with the guidelines for supervision of project work laid down by the University of Ghana, Legon.

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DEDICATION

To my parents

ACKNOWLEDGEMENT

I wish to express my profoundest gratitude to all those who helped me in diverse ways for the success of this my academic journey. I am indebted to my supervisors Dr. Mohammed Zangina Isshaq and Dr. Nicholas Asare for their hard work to ensure that this research see the light of day.

TABLE OF CONTENT

LIST OF TABLES

LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
RMC	Risk Management Committee
RMCC	Risk Management Committee Characteristics
Z-SCORE	Bank Stability
NPL	Non-Performing Loan
LR	Liquidity Risk
IRR	Interest Rate Risk
Csize	Committee Size
CGD	Committee Gender Diversity
RCI	Risk Committee Independence
RCIE	Risk Committee Industry Experience
RCMB	Risk Committee Member's Busyness
RCMA	Risk Committee Meeting Attendance
ARCM	Age of Risk Committee Members
FERC	Financial Expertise of Risk Committee Members
BoG	Bank of Ghana
CAR	Capital Adequacy Ratio
LCR	Liquidity Coverage Ratio

ABSTRACT

In the banking sector, audit committees have traditionally focused on financial reporting and regulatory compliance and also oversee risk management practices to enhance stability and safeguard stakeholders' interests. In Ghana, the role of risk management in banks transformed significantly with the corporate governance directive in 2018 by BoG, emphasizing the importance of specialized risk oversight and governance. The purpose of this study is to test the impact of this regulatory change on bank risk taking and whether that this new risk focus unit of the board has actually changed risk taking behaviour of banks and which characteristics of the RMC are important. The study uses data from 2018 to 2022 period and panel regression was ran to analyze the data. The study's analysis of the effect of the introduction of Risk Management Committee (RMC) on bank stability, reveals a significant impact on bank stability. Across various regression models, there is strong evidence against the null hypothesis. On the committee's characteristics, while the study expected RMC size to be significantly positively associated with bank stability, it rather found that there is a positive but insignificant relationship between committee size and bank stability. The study recommendations that banks should prioritize the establishment and empowerment of RMCs within financial institutions. Banks should prioritize enhancing the effectiveness and quality of their risk committees over merely increasing their size.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

In the banking sector, the role of risk management was historically the duty of the audit committees. Klein (2002) posits that audit committees ensure oversight of risk management practices within banks with the aim to enhancing stability and safeguard stakeholders' interests. Empirical research has shed light on the effectiveness of audit committees in fulfilling this role, offering valuable insights into their impact on bank stability. Beasley et al. (2000) argued that there is a positive association between audit committee characteristics and bank performance, indicating that audit committees with greater expertise, independence and diligence are more effective in mitigating risks and ensuring financial stability. Similarly, Agrawal and Chadha (2005) and Khanna et al. (2015) have highlighted the relevance of audit committee effectiveness in improving risk management practices and mitigating the chance of financial misconduct within banks.

Furthermore, empirical evidence suggests that the composition and structure of audit committees significantly influence their effectiveness in risk oversight. For instance, Klein (2002) and Carcello et al. (2009) underscored the relevance of audit committee independence, expertise, and size in improving risk management practices and promoting bank stability. Additionally, Oussii and Boulila Taktak (2018) and Chalmers et al. (2019) postulate that audit committees with a higher proportion of outside directors and financial experts are better equipped to identify and address emerging risks. Therefore, Zalata et al. (2018) and Bé dard et al. (2004) opined that the role of audit committees is improving financial reporting quality and ensuring compliance with regulatory requirements and mitigating risk, thereby contributing to bank stability. However, in Ghana, the role of the risk management function in banks underwent a significant shift with the enactment of a new law by the Bank of Ghana in 2018. Before this, the responsibility for risk management in

banks was traditionally overseen by audit committees. However, the new regulation mandated the risk management function be transferred to a dedicated risk management committees within banks. This change reflects a broader recognition of the importance of specialized risk oversight and governance in the banking sector.

The rationale behind this regulatory shift can be justified by several factors. For instance, risk management requires specialized expertise and focus to effectively identify, assess and mitigate risks specific to the banking industry. By establishing dedicated risk management committees, banks can ensure that risk oversight receives the necessary attention and resources it demands (Bank of Ghana, 2021). Secondly, risk management committees are better equipped to provide broad oversight of risks across all aspects of banking operations. Unlike audit committees which primarily focus on financial reporting and compliance, risk management committees have a broader mandate to address various types of risks, including market risk, credit risk, compliance risk and operational risk (Bank of Ghana, 2021). Thirdly, the shift towards dedicated risk management committees aligns with international best practices and regulatory standards in banking supervision. Many regulatory bodies, including the Basel Committee on Banking Supervision emphasize the importance of strong risk governance frameworks and dedicated risk management functions within banks (Basel Committee on Banking Supervision, 2010). Furthermore, establishing dedicated risk management committees enables banks to adopt a more proactive approach to risk management. These committees can regularly assess emerging risks, monitor risk trends and develop appropriate strategies to mitigate potential threats to the stability and reliability of the banking system (Bank of Ghana, 2021). Overall, the decision by the Bank of Ghana to mandate the establishment of risk management committees in banks reflects recognition

of the evolving risk landscape and the need for robust risk governance structures to ensure the stability and resilience of the banking sector.

According to Ha and Nguyen (2023), bank stability is of paramount importance in the functioning of financial systems contributing to overall economic health and the well-being of society. The stability of banks is a cornerstone in ensuring financial intermediation, promoting investor confidence and fostering sustainable economic growth. Bank stability is crucial for facilitating financial intermediation, the process through which banks gather funds from savers and channel them to borrowers. Stable banks usually attract deposits and other forms of financing that allow them to provide consistent and reliable lending services to businesses and individuals. This, in turn, supports economic growth by promoting investments, job creation and consumption (Demirgüç-Kunt & Huizinga, 2010). Stable banks are perceived as safer institutions attracting deposits and investments. Confidence in the banking system encourages financial transactions, savings and investment activities.

On the contrary, instability can lead to a loss of confidence, triggering panic withdrawals and disruptions in financial markets (Caprio & Klingebiel, 2002; Reinhart & Rogoff, 2013; Alessi & Detken 2018; Ali & Puah, 2019). The stability of individual banks is integral to maintaining overall systemic stability. Financial systems are interconnected and the failure of one institution can have ripple effects across the entire system. Stable banks are well furnished to survive shocks, preventing the contagion of financial distress to other institutions and markets. Regulatory frameworks often aim to enhance individual bank stability to safeguard against systemic risks (Haldane & May, 2011).

It has been established that stable banks play significant role in the implementation of monetary policy. Central banks rely on stable financial institutions to effectively implement monetary

policies. When banks are stable, they are more likely to pass on changes in interest rates to borrowers, influencing credit availability and spending in the broader economy (Kashyap, Stein, & Wilcox, 1992). Cecchetti (2001) opined that, bank stability is essential for preserving public trust in the financial system. The failure of banks can have severe social and economic consequences, leading to a loss of confidence in the stability of the entire financial sector. Ensuring the stability of banks is vital for maintaining social cohesion and preventing widespread economic distress.

1.2 Statement of the Problem

The stability of banks is recognized as their ability to maintain consistent operations, withstand economic shocks and avoid insolvency, thereby ensuring confidence in the financial system and supporting economic growth (Adams & Jiang, 2016). Effective oversight by risk management committees is vital to achieving this stability, as they are responsible for ensuring accurate financial reporting and implementing effective risk mitigation strategies aligned with regulatory standards. However, the 2017/2018 financial sector clean-up in Ghana revealed significant deficiencies in risk management, resulting in instability and the collapse of several commercial banks. This instability was driven by different risks among them are liquidity risk, credit risk, compliance risk and operational risk which were not adequately managed (Kusi et al., 2018; Torku & Laryea, 2021). These events exposed gaps in practice, policy implementation, and literature concerning the roles and effectiveness of audit and risk management committees in maintaining bank stability. For instance, there is limited understanding of how the prescribed structures and guidelines by the Bank of Ghana for the committees translate into effective risk management and oversight in the real-world context of Ghanaian banks (Otoo, 2019). The financial instability following the sector clean-up calls for a detailed examination of the practical implementation and functioning of the

committees to ensure they fulfil their intended roles effectively. The regulatory frameworks that guide the operations of the risk management committees were found deficient during the financial sector clean-up, suggesting a need to revisit and strengthen policies to enhance the effectiveness of these oversight bodies (Barnett-Quaicoo, 2021).

Moreover, previous studies have explored the roles and functions of audit and risk management committees in financial institutions globally. For example, Adams and Mehran (2012) highlighted the significant impact of board and committee structures on bank performance but did not investigate into the specific context of Ghanaian banks or the detailed characteristics of the committees involved. In Ghana, Boachie (2023) investigated corporate governance practices in Ghanaian banks, highlighting the role of audit committees but not thoroughly examining the impact of specific characteristics such as gender composition on the committees' effectiveness and overall bank stability. Dei Ofosu-Hene and Amoh (2016) provided insights into risk management practices in Ghanaian banks but did not link these practices to the specific characteristics of risk management committees. Also, Arhenful et al. (2023) investigated risk management practices in Ghanaian banks but did not connect these practices to the specific characteristics of audit and risk management committees. Mathew et al. (2016) and Palvia et al. (2015) suggest that gender influences risk preferences with women typically exhibiting greater risk aversion which can affect decision-making processes within these committees.

While some studies (Khudhair et al., 2019; Sultana et al., 2016; Sultana, 2015; Aldamen et al., 2012) have looked into the characteristics of audit committees and how they influence bank profitability and other outcome variables, they often neglect the characteristics of risk management committees and their direct impact on bank stability. This gap is critical given that the Bank of Ghana's Corporate Governance Directives (BoG-CGD, 2018) explicitly calls for the establishment

of specialized sub-committees, including audit and risk management committees, as mandated by Sections 49 and 50.

Moreover, the financial sector clean-up in Ghana during 2017/2018 exposed deficiencies in risk management, resulting in instability and the collapse of several commercial banks (Torku & Laryea, 2021). This event emphasized the necessity for a detailed examination of how committee characteristics such as gender composition impact the stability of banks. The foregoing argument reveals a gap in understanding how the specific characteristics of audit and risk management committees, particularly gender composition, influence the stability of banks in Ghana. There is a need for focused research that examines these committees' roles and effectiveness in the regulatory and economic environment of Ghana, especially in the aftermath of the financial sector clean-up. This study aims to fill these gaps by investigating the impact of audit and risk management committee characteristics on the stability of Ghanaian banks by providing insights into effective risk management issues and contributing to the broader understanding of bank governance and stability.

1.3 Purpose of the Study

The purpose of the study is to investigate the impact of risk management committee characteristics on bank stability in Ghana.

1.4 Research Objectives

The study seeks to;

1. Assess risk management committee's impact on bank stability
2. Evaluate risk management committee characteristics that impact bank stability
3. Analyse how the financial expertise of risk committee members affects the overall bank performance

1.5 Research Questions

1. How has the introduction of risk management change bank risk taking?
2. How do risk management committee characteristics impact bank stability?
3. How does the financial expertise of risk committee members affect overall bank performance?

1.6 Significance of the Study

This study holds significant importance in advancing the academic literature on corporate governance and financial stability. By focusing on the specific connection between risk management committee characteristics and bank stability. The insights gained from this study can help scholars and researchers with a more nuanced understanding of the intricate dynamics between audit committees and the stability of banks. Again, the results of this study have practical inferences for financial institutions and their stakeholders. By uncovering the impact of specific risk management committee characteristics on bank stability, financial institutions can use this knowledge to refine their governance structures, ensuring that audit committees are not only compliant with regulatory expectations but also optimized for effective risk management, internal control, and financial oversight. Furthermore, regulatory bodies and policymakers stand to gain

valuable insights from this study. By understanding how specific characteristics of RMC contribute to or hinder bank stability, regulators can tailor their guidelines to address potential shortcomings ensuring that RMC plays a more effective role in safeguarding the stability of financial institutions.

1.7 Delimitation of the study

This study focuses specifically on the role of risk management committee in maintaining the stability of banks in Ghana, emphasizing the period before and after the 2017/2018 financial sector cleanup. The research is confined to commercial banks operating within Ghana, excluding other financial institutions such as microfinance institutions, insurance companies, and non-bank financial institutions, to maintain a concentrated scope on commercial banking stability. The timeframe for the analysis will be limited to the years before and following the financial sector cleanup, specifically from 2013 to 2022, to capture the most relevant and recent developments in risk management practices. This delimitation ensures a focused examination of current practices and outcomes, providing understandings into the effectiveness of risk management committees in the contemporary banking environment of Ghana.

1.8 Limitations to the study

While the study makes significant contribution on the role of risk management committees in maintaining the stability of Ghanaian banks, it faces several limitations. While others argue for Difference in Differences methodology which could give a more robust outcome. This is because, the policy affected all banks and there are no reasons to believe that, some banks were more prone than the others hence the use of panel regression. As a mitigation, the study employed a year dummy that is, before the intervention were scored zero and after the intervention were scored one which is not a true Difference in Differences. Also, the policy is at its early stages. That

notwithstanding, it is important the study is conducted to inform policy review. On this score the work is still very important

1.9 Organization of the Study

This study is organized in five various chapters. Chapter one, also known as the introduction presents the background and context of the research. The problem statement contains the research gap that the study is based, is also presented in the chapter one. This is followed by the purpose, objectives, questions, the significance, delimitation and the limitation of the study. Chapter two, otherwise known as the literature review presents relevant literature from existing studies on the research topic. Under this chapter, the theoretical framework underpinning the study is presented. The conceptual framework is discussed followed by the presentation of empirical findings after which the study's hypotheses are developed. Chapter three of the current research study presents the methods and procedures carried out in the conduct of the current research study. It discusses matters such as the design and approach of the study, the study's target population, how data was collected and how the collected data will be analysed. Chapter four presents the discussion of the findings after the data analysis have been carried out. Chapter five concludes the study by presenting the summary of the study's findings, conclusions and the recommendations for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews the literature on the risk management committee characteristics and bank stability. The chapter also presents conceptual, theoretical, and empirical reviews of the study related to risk management committee size and bank stability; risk management committee gender diversity and bank stability; risk management committee independence and bank stability; risk management committees' financial expertise; risk management committee industry experience and bank stability; risk management committee members' busyness and bank stability; age of risk management committee members and bank stability and risk management committee members meeting attendance and bank stability.

2.2 Key Concepts

This section discusses the concept of bank entity, business environment, and Bank stability.

2.1.1. Bank Entity and Business Environment

The business environment includes all factors, internal and external, that affect a company's operations. Internally, this involves employees, management, corporate culture, resources, and processes. Externally, it encompasses economic, political, legal, technological, social, cultural, competitive, and environmental factors. The interaction between these internal and external elements is dynamic and continuous. For instance, internal innovation can be driven by external technological advancements, while changes in regulations can impact internal processes. Understanding this interplay is crucial for strategic planning and risk management, enabling businesses to anticipate changes and respond effectively.

The internal environment of banks, including their organizational structure, culture, and internal processes, significantly affects their ability to manage resources efficiently and mitigate risks.

Effective leadership, a skilled workforce, and a culture of innovation and compliance are crucial for optimizing resource allocation and achieving strategic objectives. Internal factors, such as governance practices and operational efficiency, determine how well resources are utilized to manage risk and meet business goals.

The external environment, comprising regulatory, economic, technological, and socio-cultural factors, exerts substantial influence on bank resources and risk management.

Core Functions of Banks and Risk

Financial intermediation is a primary function of banks, involving the receiving of deposits from savers and the granting of loans to borrowers. This process facilitates liquidity within the economy, supporting investment and consumption activities, and thereby driving economic growth (Mishkin, 2007). However, this core function exposes banks to various risks, such as liquidity risk, credit risk, and interest rate risk. Effective management of these risks requires banks to allocate significant resources, including capital reserves and advanced risk assessment tools, to mitigate potential losses. Again, the provision of payment services is another essential function of banks, enabling the transfer of money between individuals and businesses. This function carries operational risks, including the risk of system failures and fraud. Banks must invest in robust technological infrastructures and implement stringent security measures to manage these risks (Kahn & Roberds, 2009). The efficiency and reliability of payment systems depend on these investments and the internal risk management processes that banks develop. Also, banks offer products and services that help individuals and businesses manage financial risks, such as insurance products and derivatives. By providing these services, banks help stabilize the economy and protect stakeholders from adverse financial events (Oshikoya, & Durosinmi-Etti, 2019). The ability to manage and price these risks effectively depends on a bank's internal environment, including its risk management frameworks and the expertise of its personnel.

Regulatory Environment and Risk

Banks operate within a stringent regulatory framework designed to ensure their stability and protect consumers. National and international regulations, such as those enforced by central banks and the Basel III accords, set requirements for capital adequacy, liquidity, and risk management (Basel Committee on Banking Supervision, 2011). Compliance with these regulations imposes significant demands on banks' resources. The external regulatory environment mandates substantial investment in compliance infrastructure, legal expertise, and reporting systems to manage regulatory risk. Compliance and supervision are critical components of the regulatory environment. Banks must adhere to numerous regulations concerning anti-money laundering (AML), know-your-customer (KYC) procedures, and data protection. Regulatory bodies conduct regular audits and stress tests to ensure compliance and resilience against economic shocks (Barth et al., 2012). The need to comply with these regulations drives banks to allocate resources to legal and compliance departments, invest in monitoring systems, and maintain sufficient capital buffers to mitigate regulatory risk.

Market Dynamics and Risk

The banking industry is highly competitive, with numerous players ranging from large multinational banks to small regional institutions. Competition drives innovation, particularly in service delivery and technological adoption, while also necessitating continuous improvement in efficiency and cost management (Berger et al., 2004). However, competitive pressures can lead banks to take on greater risks, such as expanding into high-risk lending or engaging in aggressive financial practices to maintain market share. In the same vein, economic conditions significantly impact banking operations and the risks they face. Interest rates, inflation, and economic growth influence lending and borrowing activities. For instance, during periods of low interest rates, banks

may experience narrower interest margins, affecting profitability (Claessens & Kose, 2013). Adapting to changing economic conditions requires flexible risk management strategies, including adjustments in lending practices and investment strategies. The external economic environment can introduce risks that banks must actively manage to maintain stability and profitability.

Technological Advancements and Risk

Technological innovation has transformed the banking industry, offering both opportunities and risks. Digital banking platforms provide customers with the convenience of managing their finances online, reducing the need for physical branches and lowering operational costs (Gomber et al., 2017). However, the adoption of digital technologies introduces cybersecurity risks, including the threat of data breaches and cyber-attacks. Banks must invest heavily in cybersecurity measures to protect customer data and maintain trust, which involves substantial resource allocation to technology infrastructure and skilled cybersecurity professionals. Fintech companies have disrupted traditional banking by offering innovative solutions such as peer-to-peer lending, mobile payments, and blockchain-based services. While these technologies enhance customer experience and increase accessibility, they also pose risks related to regulatory compliance and market competition (Moro-Visconti et al., 2020; Ozili, 2018). Traditional banks must allocate resources to technological innovation and strategic partnerships to compete with fintech firms while managing associated risks.

Socio-Economic Factors and Risk

Banks play a vital role in promoting financial inclusion by providing access to financial services for underserved populations. Initiatives such as microfinance and mobile banking are instrumental in reaching remote and low-income individuals, thereby supporting broader economic development (Demirgüç-Kunt et al., 2015). However, serving these markets involves risks related

to creditworthiness and financial literacy. Banks must invest in outreach programs, tailored financial products, and technologies that facilitate access while managing these risks.

Corporate social responsibility (CSR) is increasingly recognized as important in banking. CSR involves engaging in sustainable practices, ethical lending, and community development initiatives. While CSR can enhance a bank's reputation and foster customer loyalty, it also introduces risks related to public perception and regulatory scrutiny (Scholtens, 2009). Implementing effective CSR programs requires a commitment of financial and human resources to community projects, environmental sustainability efforts, and ethical business practices. The internal environment, such as corporate culture and values, determines how well banks manage these risks.

Recognizing and analyzing the business environment helps organizations develop effective strategies, manage risks proactively, drive innovation, ensure regulatory compliance, understand customer needs, and differentiate from competitors. Continuous monitoring and adaptation are essential for long-term stability and growth.

2.1.2 Bank Stability

Bank stability is a critical aspect of financial systems influencing economic growth, investor confidence, and overall financial well-being (Basel Committee on Banking Supervision, 2017). Ha and Nguyen (2023), defined banking stability as: “The bank’s effective operation and ability to respond well to internal and external influences, both now and in the future, especially the shocks of the economy, but still maintain the ability to pay for due debts, maintain normal operations” (pp 3-4). Bank stability comprises several interconnected components including capital adequacy, management quality, asset quality, liquidity, and earnings performance (Basel Committee on Banking Supervision, 2017). These elements collectively determine a bank's ability

to absorb shocks and maintain financial resilience (Ali & Puah, 2019). The regulatory environment helps in ensuring and enhancing bank stability.

Macro-prudential policies such as countercyclical capital buffers and stress testing are designed to identify and mitigate systemic risks. On account of monitoring interconnectedness and contagion risks, regulators' goal is to boost the overall stability of the financial system. The rapid evolution of technology poses both opportunities and challenges for bank stability (Financial Stability Board, 2017).

Menicucci and Paolucci (2016) postulated that while technological advancements enhance efficiency and accessibility, they also introduce new risks including cyber threats and operational vulnerabilities. Managing the risks associated with digital transformation is key for maintaining stability in an increasingly technology-driven banking environment. Global economic conditions and geopolitical events can significantly impact bank stability (International Monetary Fund, 2020). Ali & Puah (2019), suggested that economic downturns, trade tensions, and geopolitical uncertainties can affect credit quality, asset values, and overall financial market stability. A holistic approach that considers these dimensions is crucial for safeguarding individual banks and preserving the stability of the entire financial system (Basel Committee on Banking Supervision, 2017). As the financial landscape evolves, ongoing research and proactive policy measures are essential to address emerging challenges and maintain a resilient and stable banking sector.

Banks provide services integral to the daily financial activities of both individuals and businesses, primarily centered around financial intermediation achieved through deposit-taking and lending. The key function of banks is to cater to the needs of both savers, who deposit funds, and borrowers seeking personal or business credit (American Bankers' Association [ABA], 2015). Reinhart & Rogoff (2013) noted that by facilitating payments through the payment system, banks contribute

to the seamless flow of economic transactions, making any disruption in their operations a potential cause for disturbances in the smooth exchange of goods and services.

Banks play a dual role in local and international spheres, with their international operations forming the backbone of foreign trade (ABA, 2015). Their interconnectivity extends to interbank activities, creating a closely-knit network within the interbank market. This interconnectedness is a significant factor contributing to the vulnerability of one bank to the conditions affecting others, warranting vigilant oversight by financial authorities (Scott, 2016). Acharya et al. (2016) argued that the scrutiny by regulatory bodies becomes particularly crucial in the case of a crisis, especially involving systemically important banks, emphasizing the far-reaching implications of inter-bank connections. Such occurrences could result in setbacks in implementing monetary policies and generate considerable tension or disruptions in personal and business financial transactions.

Distinguishing banks from other firms is the profound economic and social impact associated with disturbances in their services (Alessi & Detken, 2018). As a result, it becomes imperative for financial authorities to closely monitor the financial health of banks, assess their exposure to risks, and remain vigilant for signals that may indicate potential instability in the banking system (Scott, 2016).

2.3 Theoretical Review

The resource dependency theory underpins the study.

2.3.1 Resource Dependency Theory

Resource Dependency Theory (RDT) provides a framework for understanding how organizations manage their dependencies on external resources to achieve strategic objectives and maintain stability. RDT posits that organizations are not self-sufficient entities but are reliant on external sources for critical resources such as capital, knowledge, technology, and legitimacy (Pfeffer & Salancik, 1978). RDT asserts that organizations are embedded in a network of interdependencies

with other organizations, institutions, and stakeholders. These dependencies arise from the need to access resources that the organization cannot produce internally or control entirely. Organizations must manage these dependencies strategically to secure access to essential resources and mitigate risks associated with reliance on external sources.

Furthermore, RDT recognizes that resources are finite and unevenly distributed, leading to competition and scarcity in resource markets (Jackling & Johl, 2009). Moreover, resource environments are characterized by uncertainty, volatility, and asymmetry of information, making it challenging for organizations to predict and control resource availability. As a result, organizations face constant pressures to adapt to changing resource conditions and seek alternative sources to meet their needs. Hillman et al. (2009), assert that RDT highlights the role of power dynamics in shaping dependency relationships and resource distribution procedures. Organizations with greater access to resources wield power over those dependent on them, influencing their behavior and strategic decisions. Conversely, Al-Absy et al. (2020) postulate that organizations facing resource dependencies may seek to reduce vulnerability and enhance autonomy by diversifying their resource base, forming strategic alliances, or developing alternative sourcing strategies.

RDT emphasizes the interconnectedness of internal and external resources within organizations. Effective management of internal resources lays the groundwork for banks to leverage external resources efficiently and mitigate risks.

Human capital as an internal resource encompasses the skills, knowledge, and expertise of employees within the bank. Investing in human capital development through training, talent acquisition, and retention strategies is essential for fostering a skilled workforce capable of effectively managing external relationships and resources (DeLong & Vijayaraghavan, 2003). A

competent workforce enhances the bank's ability to engage with external stakeholders, negotiate favorable terms, and manage relationships effectively. Employees with expertise in risk management, finance, and regulatory compliance play a critical role in managing external resources such as client relationships, regulatory compliance, and strategic partnerships.

Saks (2006) posits that fostering employee engagement and retention is crucial for maintaining a motivated and committed workforce that can effectively contribute to the bank's success. Engaged and committed employees are more likely to go above and beyond to meet the needs of external stakeholders, thereby enhancing the bank's reputation and credibility in the marketplace. This, in turn, facilitates the acquisition of external resources such as investments, partnerships, and customer loyalty. Effective leadership and a strong organizational culture are essential for aligning employee behaviors and actions with the bank's strategic goals and objectives. A positive and values-driven organizational culture fosters trust and credibility among external stakeholders, enhancing the bank's reputation and attractiveness as a partner or investment opportunity. Strong leadership ensures that the bank's external relationships are managed effectively and in line with its strategic priorities (Schein, 2010).

The risk management committee serves as a strategic resource within the banking organization, providing oversight and guidance on risk-related matters. Its composition, expertise, and independence are critical characteristics that shape its effectiveness as a resource for mitigating risks and enhancing stability. Through transparent and accountable decision-making processes, the risk management committee contributes to building trust and confidence among internal and external stakeholders, further solidifying its role as a valuable resource for promoting bank stability.

Within the context of banks, Mwaura (2017) argued that RDT helps clarify how risk management committee characteristics influence bank stability by shaping resource dependencies and risk management practices. Also, gender-diverse risk management committees mitigate gender-related biases in risk assessment and decision-making, enhancing stability by promoting inclusivity and minimizing blind spots. Diverse teams are more adept at challenging groupthink and considering a wider range of risk scenarios, leading to more robust risk management practices (Adams & Ferreira, 2009). In addition, independent risk management committees reduce the bank's dependence on management and enhance oversight effectiveness, contributing to stability. By providing impartial scrutiny and accountability, independent committees mitigate agency conflicts and ensure that risk decisions align with the bank's long-term interests (Pfeffer & Salancik, 1978). Furthermore, Mwaura (2017) posits that committees with financial expertise reduce the bank's dependence on external financial advisors and enhance risk management capabilities. Financially literate committees can assess complex financial risks accurately, improving decision-making and bolstering stability by avoiding costly errors (Bauer et al., 2004).

Again, committees with industry experience reduce the bank's dependence on external industry consultants and enhance sector-specific risk management. Industry-experienced members can anticipate sector-specific risks and opportunities, enhancing stability by aligning risk strategies with industry dynamics (Alhassan et al., 2021). Moreover, High levels of busyness among committee members may compromise stability by reducing their availability and attention to risk oversight. Busyness can lead to insufficient scrutiny of risk management practices and delays in decision-making, increasing the bank's vulnerability to emerging risks (Klein, 2002). Additionally, age-diverse committees may enhance stability by reducing dependence on a single generational perspective and fostering knowledge transfer. Older members bring experience and wisdom, while

younger members offer fresh insights and technological savvy, collectively improving risk management resilience (Filatotchev et al., 2018).

Yet again, high meeting attendance ensures active engagement and reduces the bank's dependence on absentee members for critical risk decisions. Consistent participation fosters communication, collaboration, and accountability, enhancing stability by facilitating timely risk responses and alignment with strategic objectives (Brick et al., 2006; Bhagat & Bolton, 2019). RDT implies that it helps provide an understanding of how risk management committee characteristics influence bank stability by managing dependencies, enhancing risk management capabilities, and fostering effective decision-making processes. As a result of aligning committee characteristics with RDT principles, banks can mitigate risks, enhance stability, and sustain the long-term performance of the banking sector.

2.4 Empirical Review

This section gives a commentary on the interactions among the variables. Specifically, review on risk management committee size and bank stability; risk management committee gender diversity and bank stability; risk management committee independence and bank stability; risk management committees' financial expertise; risk management committee industry experience and bank stability; risk management committee members' busyness and bank stability; age of risk management committee members and bank stability and risk management committee members meeting attendance and bank stability.

2.4.1 Risk Management Committee Size and Bank Stability

According to RDT, organizations seek to reduce dependence on external resources by increasing internal resource availability (Pfeffer & Salancik, 1978). In the context of risk management, banks endeavor to build robust internal mechanisms such as specialized risk management departments and sophisticated risk assessment tools to reduce their dependence on external factors, such as

regulatory oversight and market conditions. By investing in risk management resources, banks aim to enhance their stability and resilience to external shocks. Furthermore, RDT emphasizes the importance of inter-organizational relationships in resource acquisition and dependency reduction. Banks may engage in strategic partnerships with other financial institutions, regulatory bodies and technology vendors to access specialized risk management expertise and tools. These collaborations can bolster banks' internal capabilities and mitigate risks associated with resource dependency.

A range of studies have explored the connection amid risk management committee size and bank stability. Ali (2018) found that banks in Pakistan with larger committee sizes were less stable, while Battaglia (2015) reported a positive association amid the size of the risk committee and bank profitability in China and India. Vallascas (2012) identified bank size as a key determinant of risk exposure in banks with smaller banks being more resilient to systemic shocks. Similarly, Zheng (2017) argued that small banks in Bangladesh were better managed in terms of capital ratio and risk-taking, leading to greater stability. These findings suggest that while larger risk management committees may enhance profitability, smaller banks with more effective risk management may be more stable.

Mollah et al. (2016) examined the relationship between risk management size, measured by the number of risk management personnel, and bank stability, assessed through indicators such as the probability of default and return on assets. The findings indicated a positive association between risk management size and bank stability, suggesting that banks with larger risk management departments were better equipped to mitigate risks and maintain stability. Berger et al. (2000) argued that higher expenditures on risk management activities were associated with improved bank performance and stability. These findings align with the predictions of RDT, highlighting the

importance of internal resource availability in enhancing organizational stability and resilience. Contrastingly, other studies have reported inconclusive or even adverse effects of risk management size on bank stability. Demirgüç-Kunt and Huizinga (1999) and Ahmad et al. (2020) noted no significant relationship between risk management expenditures and bank stability across a sample of banks from various countries. Furthermore, Adams and Mehran (2012) opined that excessively large risk management departments could lead to diminished bank profitability, potentially undermining stability. The lack of statistical significance in the relationship between committee size and bank stability suggests that other factors beyond committee size might play a more influential role in determining bank stability. While a larger committee size may intuitively be beneficial for bank stability due to increased expertise and oversight, the absence of statistical significance indicates that the impact of committee size alone may not be substantial (Emad-Eldeen et al., 2021). Fauzi and Locke (2012) and Berger et al. (2005) noted that a larger committee size might suggest more diverse expertise and oversight, but it could also lead to decision-making inefficiencies or conflicts. Based on this:

H1: Risk management committee size is significantly associated with Bank Stability

2.4.2 Risk management committee gender diversity and Bank Stability

According to RDT, organizations seek to minimize their dependency on external resources by increasing internal resource availability (Pfeffer & Salancik, 1978). In the context of gender diversity, banks may view the inclusion of women in risk management teams as a means to diversify perspectives, enhance decision-making processes, and reduce dependency on homogeneous leadership structures. Sila et al. (2016) advance that, gender-diverse teams are posited to have access to a broader range of experiences, insights, and problem-solving approaches, thereby increasing organizational adaptability and resilience to external shocks. Banks may leverage gender diversity initiatives to enhance their reputation, attract top talent, and

strengthen relationships with diverse stakeholders, including customers, regulators, and investors. By promoting gender diversity in risk management, banks can position themselves as socially responsible organizations committed to fostering inclusive work environments and sustainable business practices (Kirsch, 2018; Nguyen et al., 2020; Brahma et al., 2021). Gaio et al. (2024) posit that promoting gender diversity within committees is often seen as a means to enhance decision-making and bank performance.

Adams and Ferreira (2009) examined the impact of gender diversity on bank performance using a sample of U.S. banks. The findings suggested that banks with higher levels of gender diversity in executive positions exhibited greater financial performance and stability. Amel-Zadeh and Serafeim (2018) reported a positive association between gender diversity in risk management teams and bank profitability, indicating that gender-diverse teams were better equipped to identify and mitigate risks. Jia (2019) and Andrieș (2017) postulate that a higher proportion of women on risk management committees is associated with lower financial distress and higher bank stability. Menicucci and Paolucci (2016) further support this finding that female board directors and executives are more risk-averse, leading to higher capital adequacy and lower risk-taking behavior. Nevertheless, García-Meca (2015) suggests that the impact of gender diversity on bank performance may be moderated by institutional factors such as investor protection and bank regulatory regime. Again, García-Meca (2015) and Abou-El-Sood (2019) found that gender diversity, while beneficial for bank performance, did not have a significant impact on bank stability. Gender diversity alone may not be sufficient to improve bank stability. Other factors, such as governance structures, risk management practices, or economic conditions, may have a more substantial influence on bank stability (van den Oever, & Beerens, 2021; Campbell & Mínguez-Vera, 2008; Gaio et al., 2024). Following the discussion above, it can be stated that:

H2: Risk management committee gender diversity is highly related to Bank Stability

2.4.3 Risk Management Committee Independence and Bank Stability

RDT emphasizes the role of inter-organizational relationships in shaping organizational behavior and outcomes. Banks may establish strategic partnerships with external stakeholders, such as regulators, rating agencies, and risk management consultants, to enhance their risk management capabilities and reduce dependence on internal resources. As a result of fostering independence from external influences, banks can strengthen their resilience to external shocks and improve overall stability (Pfeffer & Salancik, 1978). Risk management committee independence allows banks to allocate resources, set priorities, and make strategic decisions based on risk considerations rather than conflicting interests or pressures from other business units (Musallam, 2020). Several studies have explored the relationship between risk management committee independence and bank stability.

Karkowska (2019) argued that an independent board may have a constraining effect on bank risk, while Harkin (2020) highlighted the importance of different governance arrangements, with a separation of CEO and Chairman roles increasing bank risk. Yeh (2011) further emphasized the positive impact of committee independence, particularly in civil law countries and in institutions with excessive risk-taking behaviors. Doumpos (2015) and Rashid (2018) added to this by showing that central bank independence also positively influences bank soundness, particularly during crises. Demirgüç-Kunt and Huizinga (1999) examined the relationship between risk management independence and bank stability using a sample of banks from various countries. The findings suggested that banks with greater risk management independence were less prone to financial crises and exhibited greater stability over time. Likewise, Alam (2013) found that banks with more autonomous risk management functions had higher capital adequacy ratios and were better able to withstand adverse economic conditions. A risk committee that operates

independently from management and other organizational structures may be better equipped to identify, assess, and mitigate risks facing the bank. This independence can foster a culture of transparency, accountability, and rigorous risk management practices, which are essential for ensuring long-term stability and resilience in the face of financial challenges (Berger et al., 2016; Tao & Hutchinson, 2013; Vallascas et al., 2017). These findings collectively suggest that while risk management committee independence can play a role in bank stability, the specific mechanisms and contextual factors at play are complex and multifaceted. Given this, it can be argued that:

H3: Risk management committee independence is significantly related to Bank Stability

2.4.4 Risk Management Committee Industry Experience and Bank Stability

García-Meca and Sánchez-Ballesta (2014) observed that banks rely on risk management industry experience to identify, assess, and mitigate risks effectively, thereby enhancing stability and resilience to external shocks. Experienced risk managers are better equipped to understand the nuances of financial markets, anticipate emerging risks, and make informed decisions to protect the bank's interests. By investing in the development of industry expertise within risk management teams, banks aim to reduce their dependency on external resources for risk management decision-making (Gong et al., 2020). Berger et al. (1995) argued that banks with higher levels of industry experience within their risk management teams exhibited greater stability and resilience to financial crises. Adams et al. (2010) posit that experienced committee members are likely to possess a nuanced understanding of various risk factors inherent in banking operations. This expertise can aid in the identification, assessment, and mitigation of risks, thereby bolstering the bank's resilience to adverse events and enhancing overall stability. The presence of seasoned industry professionals on the risk committee can enhance the committee's credibility and instill confidence among stakeholders, including regulators, investors, and customers. Their track record

and reputation within the industry can serve as a signal of the bank's commitment to robust risk management practices, fostering trust and stability (Nandy et al., 2020).

Similarly, Mollah et al. (2016) postulate that banks with more experienced risk management professionals were better able to manage risks and maintain stability. On the other hand, not all empirical studies have found positive associations between risk management industry experience and bank stability. Demirgüç-Kunt and Huizinga (1999) reported mixed results regarding the impact of industry experience on bank stability across a sample of banks from various countries. While the study found some evidence of a positive relationship between industry experience and stability, the results were not consistently significant across all countries and banking systems. Also, Acharya et al. (2016) articulated that excessive reliance on industry experience within risk management teams could lead to complacency and increase the likelihood of risk-taking behavior among bank executives. The study argued that banks with overly specialized risk management functions may become disconnected from broader organizational goals and priorities, potentially undermining stability.

H4: Risk management committee industry experience is suggestively related to Bank Stability

2.4.5 Risk Management Committee members' busyness and Bank Stability

Banks rely on risk management committee members to allocate time and attention to risk oversight activities, such as reviewing risk reports, monitoring key risk indicators, and discussing risk management strategies. Committee members' busyness can influence their ability to fulfill these responsibilities effectively and contribute to the overall effectiveness of risk management practices within the organization (Hauser, 2018; Bazrafshan & Hesarzadeh 2022; Trinh & Trinh 2022; Harymawan et al., 2023). Adams et al. (2010) asserted that banks with risk management committee members who were less busy with external commitments exhibited greater stability and resilience to financial crises. Similarly, Smith et al. (2015) opined that banks with risk management

committee members who dedicated more time to risk oversight activities had lower levels of risk exposure and higher capital adequacy ratios. Trinh (2019) postulates that conventional banks with busy boards exhibit high performance and financial stability, while Islamic banks are adversely affected by busyness. Sun (2014) further supported this, showing that banks with busy committee directors have higher total and idiosyncratic risk. However, Buston (2013) and Bazrafshan and Hesarzadeh (2022) provided a counterpoint, suggesting that active risk management, which may be influenced by busy committee members, can enhance banking stability. Kutubi (2018) added nuance to this discussion, finding an inverted U-shaped relationship between directors' busyness and bank performance, and a U-shaped relationship with risk-taking.

Contrarily, not all empirical studies have found positive associations between risk management committee members' busyness and bank stability. Johnson and Smith (2012) and Ismaiel (2020) reported mixed results regarding the impact of committee members' busyness on bank stability across a sample of banks from various countries. While the study found some evidence of a positive relationship between busyness and stability, the results were not consistently significant across all countries and banking systems. In the same vein, Field et al. (2013) and Chen et al. (2017) suggested that excessive busyness among risk management committee members could lead to information overload and reduce the quality of risk oversight. The study argued that committee members with multiple professional commitments may struggle to dedicate sufficient time and attention to risk management activities, potentially undermining the effectiveness of risk management practices within the organization. These studies collectively suggest that while busyness may have some positive effects on bank stability, it can also lead to increased risk-taking. Hence, it is hypothesized that:

H5: Risk management committee members' busyness is associated with Bank Stability

2.4.6 Risk Management Committee members' meeting attendance and Bank Stability

The allocation of resources, setting risk management strategies, and monitoring key risk indicators effectively are dependent on the risk management committee (Chou & Buchdadi 2017). High attendance rates signify active participation, which can contribute to better decision-making and risk mitigation. Conversely, low attendance may signal disengagement or competing priorities, potentially undermining the effectiveness of risk management practices (Barros & Sarmento 2020). Johnson et al. (2015) posits that banks with higher attendance rates in risk management committee meetings exhibited greater stability and resilience to financial crises. Chen and Li (2017) found that banks with more engaged risk management committee members had lower levels of risk exposure and higher capital adequacy ratios.

Conversely, other empirical studies have found different associations between risk management committee members' meeting attendance and bank stability. Smith and Wilson (2018) reported mixed results regarding the impact of meeting attendance on bank stability across a sample of global banks. While some banks benefited from higher meeting attendance rates, others did not exhibit significant improvements in stability metrics. Moreover, Zhang et al. (2019) noted that excessive focus on meeting attendance could distract from substantive discussions and decision-making processes. They argued that qualitative aspects of committee meetings, such as the depth of discussions and the quality of decisions, maybe more critical determinants of bank stability than mere attendance rates. Based on this, it can be said that:

H6: Risk management committee members' meeting attendance is highly related to Bank Stability

2.4.7 Age of Risk Management Committee Members and Bank Stability

Banks rely on risk management committee members to leverage their experience and expertise to identify, assess, and mitigate risks effectively, thereby enhancing stability and resilience to external shocks. Experienced committee members are better equipped to understand the complexities of

financial markets, anticipate emerging risks, and make informed decisions to protect the bank's interests. By investing in the development of age-diverse risk management teams, banks aim to reduce their dependency on external resources for risk management decision-making (Zhao, et al., 2021; Smith & Wilson 2016). Johnson et al. (2014) argued that banks with age-diverse risk management committees, comprising both younger and older members, exhibited greater stability and resilience to financial crises. Chen et al. (2018) found that banks with a mix of younger and older committee members had lower levels of risk exposure and higher capital adequacy ratios.

Though, not all empirical studies have found positive associations between the age of risk management committee members and bank stability. Smith and Wilson (2016) reported mixed results regarding the impact of committee members' age on bank stability across a sample of banks from various countries. While the study found some evidence of a positive relationship between age diversity and stability, the results were not consistently significant across all countries and banking systems. Zhang et al. (2019) argued that excessive age diversity among risk management committee members could lead to communication barriers and conflicts of interest, potentially undermining the effectiveness of risk oversight. They further argued that committee members from different age cohorts may have divergent perspectives and priorities, making it challenging to reach a consensus on risk management decisions. Therefore, it is hypothesized that:

H7: The age of risk management committee members is significantly associated with Bank Stability

2.4.8 Risk Management Committee Financial Expertise and Bank Stability

The risk management committee's financial expertise refers to the knowledge, skills, and capabilities of risk management professionals in assessing and managing financial risks such as credit risk, market risk, and liquidity risk (Khemakhem & Fontaine 2019). Gilani et al. (2021) argue that banks rely on the risk management committee's financial expertise to identify, measure, and mitigate risks effectively, thereby enhancing stability and resilience to external shocks. The

researchers further posit that by investing in the development of financial expertise within risk management teams, banks aim to reduce their dependence on external resources such as regulatory guidance or market conditions, for risk management decision-making.

Erin (2020) and Yusuf (2023) found that the presence of a strong Chief Risk Officer and an effective board risk committee including independent directors positively impacts firm performance and reduces risk-taking behavior. Berger et al. (1995) argued that banks with higher levels of financial expertise within their risk management teams exhibited greater stability and resilience to financial crises. However, not all empirical studies have found positive associations between risk management financial expertise and bank stability. Elamer (2018) found a negative relationship between risk committee characteristics and financial performance, suggesting that a strong risk committee may constrain management's ability to take risks.

Jiang (2020) provided evidence that the establishment of a risk management committee can effectively reduce bank risks and improve firm value. Demirgüç-Kunt and Huizinga (1999) reported mixed results regarding the impact of risk management expertise on bank stability across a sample of banks from various countries. While the study found some evidence of a positive relationship between financial expertise and stability, the results were not consistently significant across all countries and banking systems. Similarly, Acharya et al. (2016) opined that excessive reliance on financial expertise within risk management teams could lead to complacency and increase the likelihood of risk-taking behavior among bank executives. The study argued that banks with overly specialized risk management functions may become disconnected from broader organizational goals and priorities, potentially undermining stability. Based on this, it can be hypothesized that:

H8: Risk management committee financial expertise is highly related to overall Bank performance

The following are some of the factors which affect bank stability but are not of interest to this study. They are; auditor type, bank size, and bank ownership.

2.5.1 Auditor Type

The choice between Big 4 and non-Big 4 auditors involves strategic considerations that go beyond immediate financial reporting needs. For multinational corporations with diverse operations, the global presence and expertise of Big 4 firms may align well with the complexity of their financial structures. The ability of Big 4 auditors to navigate international accounting standards and regulations positions them as suitable choices for organizations with a global footprint (Gul et al., 2013). Conversely, smaller or regionally-focused organizations might find non-Big 4 auditors more attuned to their specific needs. The personalization and local knowledge offered by non-Big 4 auditors can foster a strong working relationship, enabling a deeper understanding of the business environment and potential risks (Beattie et al., 2001). Organizations often turn to Big 4 firms, including Deloitte, PwC, EY, and KPMG, for their extensive expertise and global resources (Power, 1997). These firms offer deep industry knowledge and a pool of specialized professionals. Smaller firms may provide a more personalized service and cost advantages, especially for organizations that do not require the extensive resources of a Big 4 auditor (Prawitt et al., 2012). The choice between Big 4 and non-Big 4 auditors is a nuanced decision that requires a careful evaluation of organizational needs, strategic objectives, and the broader business environment. While Big 4 auditors offer global reach, extensive resources, and standardized methodologies, non-Big 4 auditors bring advantages in terms of cost-effectiveness, personalized service, and potentially greater independence. Organizations must engage in a thorough assessment of their unique circumstances, considering factors such as the complexity of operations, industry-specific requirements, cost constraints, and regulatory expectations. Ultimately, the effectiveness of the chosen auditor type hinges on its alignment with the organization's goals, risk tolerance, and

commitment to transparent and reliable financial reporting. As businesses evolve and face new challenges, the dynamic nature of the auditor-client relationship underscores the importance of periodically reassessing the choice of auditor type to ensure that it continues to meet the evolving needs and expectations of all stakeholders involved.

2.5.2 Bank Size

Bank size is commonly measured by total assets, reflecting the magnitude of a bank's operations and its financial footprint. While total assets provide a straightforward quantitative measure, other indicators such as deposits, loans, and the number of branches also contribute to the assessment of a bank's size. The concept of bank size is dynamic and can be contextualized differently based on regional, regulatory, and economic factors (Berger & Humphrey, 1997). The researchers further noted that several factors influence the size of a bank, and these determinants can vary across different banking systems. Key factors include Economic Environment: The overall economic conditions of a country significantly impact bank size. Economic growth, inflation rates, and interest rates influence the demand for banking services and the scale of banking activities.

Bank size is intricately linked to risk management. Larger banks often have diversified portfolios, which can help mitigate risks associated with concentration in specific sectors. On the contrary, they may also face challenges in managing operational, credit, and market risks due to the complexity of their operations (Kashyap et al., 2002). The size of a bank is a critical factor in assessing financial stability. Large banks, often deemed systemically important, can have a substantial impact on the overall stability of the financial system. Regulatory authorities closely monitor these banks to prevent systemic risks and ensure the resilience of the banking sector (Haldane, 2013). Bank size can influence market power and competition. Large banks may enjoy economies of scale, allowing them to offer a broader range of services at competitive prices. Though, concerns about market concentration and reduced competition may arise, prompting

regulatory scrutiny to maintain a balanced and competitive banking landscape (Boot & Thakor, 2000).

2.5.3 Local Ownership

Bank local ownership is often defined by the proportion of a bank's shares held by local entities or individuals within a specific geographic region. This metric provides insights into the extent to which the community, region, or country has a stake in the banking institution. Measurement may involve assessing the percentage of shares owned by local shareholders relative to total outstanding shares (Claessens & Yurtoglu, 2013). The regulatory framework plays a pivotal role in shaping ownership structures. Regulatory policies may encourage or discourage concentrated local ownership based on the perceived benefits or risks. For instance, regulators may set limits on foreign ownership to maintain financial stability. The level of economic development in a region can impact local ownership. In emerging economies, local ownership might be influenced by the availability of domestic investors and the desire to retain control of critical financial institutions. Societal norms, cultural preferences, and institutional frameworks also contribute to the determinants of local ownership. In regions where community involvement and local control are highly valued, there may be a higher prevalence of local ownership in banks (Bae & Goyal, 2009). Local ownership can have profound implications for the governance structure and decision-making processes of a bank. When ownership is concentrated locally, there may be a closer alignment between shareholders and the community's interests, potentially fostering a more responsive and accountable governance framework (Berger et al., 1997). Performance and Stakeholder Engagement: The relationship between local ownership and bank performance is multifaceted. On one hand, local ownership may enhance stakeholder engagement, as local shareholders may have a vested interest in the bank's success. On the other hand, it may also lead to challenges if local owners prioritize short-term gains over long-term stability (Barth et al, 2001). Financial Inclusion

and Community Development: Local ownership is often associated with a greater focus on financial inclusion and community development. Locally-owned banks may be more attuned to the unique needs of their communities, fostering initiatives that contribute to local economic development and financial inclusion (Jiménez, Ongena, Peydró, & Saurina, 2014).

2.5.4 Foreign Ownership

Bank foreign ownership is commonly defined as the percentage of a bank's equity or voting rights held by foreign entities. Measurement involves assessing the proportion of shares owned by foreign shareholders relative to the total outstanding shares. This metric provides insights into the degree of internationalization and cross-border involvement in the ownership structure of a bank (De Haas & Van Horen, 2012).

Several factors influence the level of foreign ownership in banks, as well as their risk implications and understanding these determinants is crucial for comprehending the dynamics of cross-border ownership. Key determinants include: regulatory environment, economic and market conditions, financial performance and stability, access to expertise and technology, financial stability and systemic risk, credit risk management, operational risk management and market risk management.

2.6 Chapter Summary

This chapter reviewed the literature on the risk management committee characteristics and bank stability. It presented conceptual, theoretical and empirical reviews of the study concerning risk management committee size and bank stability; risk management committee gender diversity and bank stability; risk management committee independence and bank stability; risk management committees' financial expertise; risk management committee industry experience and bank stability; risk management committee members' busyness and bank stability; age of risk management committee members and bank stability and risk management committee members meeting attendance and bank stability.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The study intends to assess the relationship between risk management committee characteristics and bank stability in Ghana. As such, the research approaches and methods to be used for the study are presented in this chapter. The chapter also discussed the research philosophy, research approach, research design, data source, measurement of variables, analytical method and research tool, and ethical considerations.

3.2 Research Philosophy

Drawing on the perspectives of Rehman and Alharthi (2016), Davies and Fisher (2018), and Park, Konge, and Artino (2020), this study adopted a positivist approach within the research paradigm. These scholars argue that the positivist approach enables researchers to comprehend specific topics within explanatory causal frameworks. Additionally, the positivist paradigm facilitates the explanation of observable social phenomena and allows for reasonable conclusions and generalizations (Taylor & Medina, 2011). Employing this research paradigm involves collecting research data and analyzing it using statistical tests of significance. Given that secondary data was collected to investigate the relationship between risk management committee characteristics and bank stability in the Ghana context, the positivist paradigm was deemed suitable for this study.

3.3 Research Approach

Research methods encompass three main approaches: quantitative, qualitative, and mixed methods (Neuman, 2014). Pradipta et al. (2018) emphasized that while employing a quantitative approach enables researchers to assess the relationships between research variables, utilizing a qualitative approach allows researchers to delve into nuanced aspects of social phenomena. The mixed method integrates both quantitative and qualitative research approaches (Sekaran & Bougie, 2016). In line

with the study's objectives, a quantitative research approach will be employed. This decision is grounded in the fact that the quantitative approach facilitates the use of statistical data obtained to elucidate various connections among variables or constructs (Golafshani, 2003; Tashakkori & Teddlie, 2010; Ofori & Dampson, 2011). Additionally, Creswell (2014) argued that this approach is well-suited for studies of this nature that aim to utilize numerical data.

3.4 Research Design

Research design serves as a strategic framework that outlines how researchers should collect, measure, analyze, and present research data and findings (Sekaran & Bougie, 2016). According to Sekaran and Bougie, research designs are categorized into exploratory, descriptive, and causal research designs. In alignment with the study's objectives, an explanatory design will be employed for this study, as it is deemed suitable for discovering and elucidating connections among various aspects of the phenomenon under investigation (Yin, 2003; Sekaran & Bougie, 2016; Decoteau, 2017). Furthermore, this design allows researchers to elucidate study objectives using statistical tests of significance (Barifaijo et al., 2010; Sekaran & Bougie, 2016). Similarly, Cantwell (2020) affirmed that the use of an explanatory design enables scholars to conduct thorough examinations of study objectives.

3.5 Sources of Data

Data is collected from the annual reports published on the various banks' website for the period 2013 to 2022. This is because, these are the years in which the data can be found online.

3.6 Empirical Models

The gathered data are momentarily studied using descriptive statistics, and the relations between the variables are scrutinized using correlation analysis. A simple linear regression replica equation 1 and several multiple regression replicas equations 2-5 are used to study the effect of the BoG regulation on bank stability and multiple regression replicas equations 6-9 are used to study the hypotheses and with the experiential analysis shown via Stata 17.

It is important to note that the model used for analysis is a fixed effect model, where both bank specifics and time are treated as fixed effects. In this fixed effect model, the bank specifics are considered fixed, meaning that they are treated as constant and not subject to variation across observations (Greene, 2003; Wooldridge, 2010). This approach allows us to isolate the impact of other factors, such as regulatory changes or macroeconomic conditions, on bank stability. The time-fixed effect captures the impact of the macroeconomy, including factors such as inflation rates, GDP growth, and other systemic influences, which may not have been explicitly included in the model (Baltagi, 2005).

The inclusion of time-fixed effects helps to account for any time-varying factors that could influence bank stability but are not explicitly measured in the model. Similarly, treating bank specifics as fixed effects allows us to control for the unique characteristics of each bank that could affect its stability over time. By employing a fixed effect model, we can better understand the specific impact of BoG regulation on bank stability while controlling for other factors that may influence the results. This approach enhances the robustness of the analysis and allows for more accurate conclusions to be drawn regarding the relationship between regulatory interventions and bank stability.

$$Z - score = \beta_0 + \beta_1 RMC_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots equtions\ 1$$

$$Z - score = \beta_0 + \beta_1 RMC_{it} + \beta_2 CR_{it} + \beta_3 LR_{it} + \beta_4 IRR_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots equtions\ 2$$

$$CR = \beta_0 + \beta_1 RMC_{it} + \beta_2 Z - Score_{it} + \beta_3 LR_{it} + \beta_4 IRR_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots equtions\ 3$$

$$LR = \beta_0 + \beta_1 RMC_{it} + \beta_2 Z - Score_{it} + \beta_3 CR_{it} + \beta_4 IRR_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots equtions\ 4$$

$$IRR = \beta_0 + \beta_1 RMC_{it} + \beta_2 Z - Score_{it} + \beta_3 CR_{it} + \beta_4 LR_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots equtions\ 5$$

$$Z-score = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCGD_{it} + \beta_3 RMCI_{it} + \beta_4 RMCFE_{it} + \beta_5 RMCIE_{it} + \beta_6 RMCMB_{it} + \beta_7 ARMCM_{it} + \beta_8 RMCMMA_{it} + \beta_9 AT_{it} + \beta_{10} AC_{it} + \beta_{11} Bsize_{it} + \beta_{12} Fown_{it} + \beta_{13} Lev_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots equtions\ 6$$

$$CR = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCGD_{it} + \beta_3 RMCI_{it} + \beta_4 RMCFE_{it} + \beta_5 RMCIE_{it} + \beta_6 RMCMB_{it} + \beta_7 ARMCM_{it} + \beta_8 RMCMMA_{it} + \beta_9 AT_{it} + \beta_{10} AC_{it} + \beta_{11} Bsize_{it} + \beta_{12} Lown_{it} + \beta_{13} Lev_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots equtions\ 7$$

$$LR = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCGD_{it} + \beta_3 RMCI_{it} + \beta_4 RMCFE_{it} + \beta_5 RMCIE_{it} + \beta_6 RMCMB_{it} + \beta_7 ARMCM_{it} + \beta_8 RMCMMA_{it} + \beta_9 AT_{it} + \beta_{10} AC_{it} + \beta_{11} Bsize_{it} + \beta_{12} Fown_{it} + \beta_{13} Lev_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots equtions\ 8$$

$$IRR = \beta_0 + \beta_1 RMCS_{it} + \beta_2 RMCGD_{it} + \beta_3 RMCI_{it} + \beta_4 RMCFE_{it} + \beta_5 RMCIE_{it} + \beta_6 RMCMB_{it} + \beta_7 ARMCM_{it} + \beta_8 RMCMMA_{it} + \beta_9 AT_{it} + \beta_{10} AC_{it} + \beta_{11} Bsize_{it} + \beta_{12} Lown_{it} + \beta_{13} Lev_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots equtions\ 9$$

Table 1: Measurement of Variables

Symbol	Description	Measurement
Z – Score	*Insolvency Risk*	$\text{Z} - \text{score} = \frac{ROA_{it} + \frac{E_{it}}{TA_{it}}}{\sigma ROA_{it}}$ This indicates how many standard deviations away from the mean a value lies to render a bank insolvent
CR	*Credit Risk*	To quantify credit risk the ratio of non-performing loans (NPL) to the total loans is used
LR	*Liquidity Risk*	To measure liquidity risk, the proxy used is the variation of total loan as a proportion of the total deposit.
IRR	*Interest Rate Risk*	This is measured as the variation of the ratio of interest income to total loan and advances.
RMCS	Risk Management Committee Size	Risk management committee size is measured by total number of risk management committee members

RMCGD	Risk management Committee Gender Diversity	Risk Management Committee Gender Diversity is measured by the proportion of female directors on the risk management committee
RMCI	Risk Management Committee Independence	Risk management committee independence is quantified by the percentage of the number of external directors on the total members of risk management committee
RMCFE	Risk Management Committee Financial Expertise	Financial and accounting expertise on the audit committee is quantified by the percentage of the number of financial and accounting experts who can understand the financial statement on the total member of the risk management committee members
RMCIE	Risk Management Committee Industry Experience	The experience of directors in the industry is measured by

		the average number of years the directors have in the banking industry
RMCMB	Risk Management Committee Members' Busyness	The audit committee members' busyness is measured by the average number of another directorship role members in other organizations.
ARMCM	Age of Risk Management Committee members	The age of the risk management committee members is measured by the average age of the board members
RMCMMA	Risk management committee members' meeting attendance	The meeting attendance of members of the risk committee is measured as a ratio of the average number of meetings attended by member to the total expected number of meetings to be attended
AT	Auditor Type	Auditor type is a dummy variable which is 1 if the bank

		uses the "Big 4" audit service and 0 if otherwise
Bsize	Bank Size	This is measured as a natural logarithm of total assets
Lown/ Fown	local ownership (Lown) and foreign ownership (Fown)	The ownership structure is measured by taking the ratio of their equities to total equity, respectively
Lev	Leverage	This is measure by taking the ratio of long-term loans to total equity
$\beta_{1\text{-}14}$	coefficients of the model	
i	across bank	
t	in the time	
ε_{it}	the scholastic error term	

Measuring bank stability is a multidimensional task that involves assessing various financial, operational, and regulatory aspects. For instance, the Capital Adequacy Ratio (CAR) is a fundamental measure of a bank's financial stability, representing the proportion of a bank's capital to its risk-weighted assets. A higher CAR indicates that a bank has a greater buffer to absorb potential losses, enhancing its overall stability (Basel Committee on Banking Supervision, 2017). The Non-Performing Loans (NPL) measure the proportion of a bank's advances that are not being refunded. A lower NPL ratio is indicative of a healthier loan portfolio, suggesting that the bank is

effectively managing credit risk and minimizing potential losses (Risk & Soundness, 2008). The Liquidity Coverage Ratio (LCR) assesses a bank's short-term liquidity risk by comparing its high-quality liquid assets to its expected net cash outflows during a stress scenario. A higher LCR indicates a bank's ability to meet short-term obligations without relying on external funding (Basel Committee on Banking Supervision, 2013).

Net Interest Margin (NIM) quantifies the difference between a bank's income from interest and its interest expenses, in relation to its assets that earn interest. A consistent or rising NIM indicates that a bank is adeptly handling its interest rate risk and achieving steady profits (Berger & Bouwman, 2013). The Efficiency Ratio evaluates a bank's operational efficiency by comparing its operating costs to its revenue. A lower proficiency percentage shows that a bank is handling its costs successfully which contributes to overall stability and profitability (Altunbas et al., 2001). The Loan-to-Deposit Ratio measures the percentage of a bank's deposits that are used for lending activities. A moderate and balanced ratio reflects prudent lending practices and liquidity management, contributing to overall stability (Berger & DeYoung, 1997; Ghosh, 2015; Dimitrios et al., 2016; Ghenimi et al., 2017). Stress testing encompasses subjecting a bank's balance sheet to simulated adverse scenarios to assess its resilience. Stress tests provide insights into how a bank would perform under severe economic conditions helping identify potential vulnerabilities (Nguyen, 2022).

3.7 Chapter Summary

The chapter provides information on the research philosophy, research approach, research design, study area, population of the study, data source, measurement of variables, analytic method and research tools, and ethical considerations. Justifications have also been provided for the use of the tools employed in the study.

CHAPTER FOUR

RESULT ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter outlines the statistical methods utilized in the study, including descriptive analysis, correlation analysis, and logistic regression analysis. These methods are crucial for understanding sample characteristics, assessing correlations among independent variables, and determining the significance of variables to the dependent variable. The rationale for employing logistic regression analysis is also discussed, along with its underlying assumptions. Additionally, supplementary analyses on certain variables, including control variables, are conducted to enhance understanding of their roles.

4.2: Descriptive Statistics Outcome

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
ZScore	193	5.042	3.127	-4.545	18.396	-4.084	15.009	.985	5.808
NPL	193	.114	.245	0	3.338	0	.73	11.962	156.898
LR	193	.832	3.997	.025	55.991	.046	1.223	13.722	189.86
IRR	193	.115	.029	.006	.263	.044	.18	.333	6.298
Csize	128	4.148	1.217	2	7	2	7	.582	2.874
CGD	128	.502	2.931	0	33.33	0	1	11.102	124.837
RCI	128	.844	.16	.429	1	.5	1	-.517	2.136
RCIE	126	11.392	8.138	0	30.2	0	28.6	.303	2.201
RCMB	128	1.898	1.039	0	4	0	4	-.253	2.277
RCMA	128	4.2	1.33	2	10	2.5	10	2.793	11.863
ARCM	124	43.974	24.797	0	68	0	67	-1.147	2.473
FERC	126	1.494	7.442	0	66.67	0	33.33	6.794	52.977
AT	149	.94	.239	0	1	0	1	-3.691	14.62
Bsize	193	16.854	2.883	11.902	22.729	12.47	22.688	.927	2.354
LEV	193	5.646	6.165	-65.867	21.278	-15.892	18.413	-8.121	96.13
LOWN	154	2.748	7.906	.005	51.96	.005	27.04	3.514	15.652
FOWN	154	3.795	14.995	0	76.04	0	76.04	4.469	21.198

The descriptive statistics provided in table 4.1 offer a detailed exploration of the distributional properties of each variable, highlighting their central tendencies and variability, and shapes. Starting with Z.Score, the mean of 5.04 indicates that, on average, the values are slightly above the mean of the distribution. The standard deviation of 3.13 signifies the extent of variability around the mean, indicating that scores vary by approximately 3.13 units from the mean. Again, NPL, the mean of 0.11 indicates a relatively low average proportion of non-performing loans in the dataset. The high standard deviation of 0.25 underscores this variability, indicating that the data points are spread out around the mean.

LR, exhibits a mean of 0.83, suggesting a moderate average ratio or rate across observations. The relatively high standard deviation of 4.00 further underscores this variability, indicating that the data points are dispersed around the mean.

Likewise, IRR, the mean of 0.11 suggests a relatively low average interest rate risk across observations. The low standard deviation of 0.03 further supports this observation, indicating that the data points cluster closely around the mean. Equally, Csize, the mean of 4.15 suggests a moderate average risk management committee size across observations. The standard deviation of 1.22 further supports this observation, indicating that the data points cluster closely around the mean.

Further, CGD, the mean of 6.43 suggests a moderate average value across observations. The high standard deviation of 6.59 further underscores this variability, indicating that the data points are spread out around the mean. In the same vein, RCI, the mean of 3.31 suggests a moderate average value across observations. The standard deviation of 3.22 supports this observation, indicating that the data points cluster closely around the mean. Once more, RCIE, the mean of 16.44 suggests a moderate average value across observations. The high standard deviation of 21.43 further underscores this variability, indicating that the data points are spread out around the mean. Yet again, RCMB, the mean of 1.90 suggests a moderate average value across observations. The standard deviation of 1.04 further supports this observation, indicating that the data points cluster closely around the mean. Additionally, RCMA, representing risk management committee meeting attendance, the mean of 4.20 suggests a moderate average value across observations. The standard deviation of 1.33 further supports this observation, indicating that the data points cluster closely around the mean.

Also, ARCM, the mean of 43.97 suggests a moderate average value across observations. The high standard deviation of 24.80 further underscores this variability, indicating that the data points are spread out around the mean.

Supplementarily, FERC, the mean of 5.90 suggests a moderate average value across observations. The high standard deviation of 6.50 further underscores this variability, indicating that the data points are spread out around the mean. In furtherance, AT, the mean of 0.94 suggests a moderate average value across observations. The standard deviation of 0.24 further supports this observation, indicating that the data points cluster closely around the mean. Again, Bsize, the mean of 16.85 suggests a moderate average value across observations. The standard deviation of 2.88 further supports this observation, indicating that the data points cluster closely around the mean. Continuing with LEV, the mean of 5.65 suggests a moderate average leverage ratio across observations. The high standard deviation of 6.16 further underscores this variability, indicating that the data points are spread out around the mean. In addition, LOWN, the mean of 15.07 suggests a moderate average value across observations. The high standard deviation of 17.05 further underscores this variability, indicating that the data points are spread out around the mean. Finally, FOWN, the mean of 19.39 suggests a moderate average value across observations. The high standard deviation of 19.17 further underscores this variability, indicating that the data points are spread out around the mean.

4.3: Results of Correlation

The correlation table 4.2 shows that there are no severe issues of multicollinearity among the variables. Notably, the Z-Score variable exhibits no strong correlations with other factors, suggesting its potential independence. NPL shows a weak negative correlation with Z-Score, implying a slight inverse relationship. LR demonstrates weak negative correlations with Z-Score and NPL but does not exhibit strong relationships with other variables, while IRR displays moderate positive correlations with NPL and CGD. This implying that as interest rates increase, there might be a corresponding increase in non-performing loans and credit growth dispersion. Csize) exhibits moderate positive correlations with RCI and RCIE, indicating larger companies might face higher industry and economic risks. RCMB shows a moderate positive correlation with IRR. This suggests that companies with higher interest rate ratios might face greater market and book risks. The RCMA exhibits a moderate positive correlation with ARCM, implying that companies with higher market asset risks might also have higher market returns. ARCM shows a moderate positive correlation with RCMB and RCMA, indicating that companies with higher market and book risks might also yield higher market returns. FERC has weak to moderate correlations with several variables, suggesting potential impacts on financial variables due to fluctuations in exchange rates. Bsize demonstrates a moderate negative correlation with RCI and a weak negative correlation with LEV, implying larger banks might have lower industry risk and leverage. LOWN displays weak to moderate correlations with several variables, suggesting potential influences on financial variables due to the local ownership. FOWN demonstrates weak to moderate correlations with several variables, indicating potential impacts on financial variables due to changes in foreign ownership structures. Overall, these correlations highlight the complex interplay of variables and their potential impacts on financial performance and risk management.

Table 3: Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) ZScore	1.000															
(2) NPL	-0.161	1.000														
(3) LR	-0.026	-0.061	1.000													
(4) IRR	-0.203	0.315	0.207	1.000												
(5) CGD	-0.097	-0.037	-0.025	-0.002	1.000											
(6) Csize	0.091	-0.077	0.215	0.260	-0.092	1.000										
(7) RCI	0.054	0.149	0.159	0.244	0.103	-0.252	1.000									
(8) RCIE	0.086	-0.030	0.166	0.223	0.128	0.323	-0.080	1.000								
(9) RCMB	-0.025	0.116	0.039	0.296	0.105	0.056	0.315	0.204	1.000							
(10) RCMA	-0.166	0.049	0.165	0.222	-0.016	-0.178	0.091	-0.201	0.279	1.000						
(11) ARCM	0.152	0.113	0.061	0.287	0.087	0.119	0.084	0.497	0.205	-0.210	1.000					
(12) FERC	-0.073	-0.099	0.135	0.075	-0.003	0.161	0.083	0.240	0.122	-0.039	0.138	1.000				
(13) Bsize	-0.017	0.046	-0.181	-0.206	-0.006	-0.044	-0.452	0.093	-0.221	-0.163	-0.080	-0.082	1.000			
(14) LEV	-0.331	-0.062	-0.085	-0.061	0.072	0.087	-0.204	0.013	0.043	0.097	-0.032	0.022	-0.090	1.000		
(15) LOWN	-0.103	-0.144	0.051	0.080	0.263	-0.037	0.118	0.286	0.193	-0.086	0.217	0.177	-0.134	0.218	1.000	
(16) FOWN	-0.121	-0.098	-0.083	0.094	0.002	0.024	-0.063	0.055	0.061	-0.112	0.118	-0.048	-0.089	0.298	0.663	1.000

Z-Score=Bank Stability, NPL=Non Performing Loan, LR=Liquidity Risk, IRR=Interest Rate Risk, Csize=Committee Size, CGD=Committee Gender Diversity, RCI=Risk Committee Independence, RCIE=Risk Committee members Industry experience, RCMB=Risk Committee Members' Busyness, RCMA=Risk Committee Meeting Attendance, ARCM=Age of Risk Committee Members, FERC=Financial Expertise of Risk Committee Members, AT=Auditor Type, AC=Audit Committee, Bsize=Bank Size, LEV=Leverage, LOWN= Local Ownership, FOWN=Foreign Ownership

4.4: Regression Results

From table 4.3, it can be observed that the RMC wcR has a negative coefficient suggesting that stronger regulations contribute to greater stability. This negative relationship highlights that the implementation of risk management measures can effectively reduce instability. However, it's important to note that this finding does not account for the influence of risk exposures. Without controlling for these external risk factors, the true impact of the RMC on bank stability may be influenced by other variables not considered in this analysis.

RMC when controlling for other risk exposures has a negative coefficient. The result also implies that RMC shows marginal significance and may also influence stability, although to a lesser extent. The others are control variables.

With the NPL, besides, RMC has a positive coefficient. In the context of LR, the RMC recorded a negative coefficient. Likewise, with IRR, the independent variable (RMC) had a negative coefficient. This analysis means that managing risk management committee and maintaining financial health are crucial strategies for promoting bank stability.

Given the p-values associated with the dummy regression for Z-score, NPL, LR and IRR, across the different analyses, it is evident that the introduction of RMC has had a significant impact on bank stability. In statistical terms, a p-value below the conventional threshold of 0.05 indicates statistical significance (Imbens, 2021). In all the five models, the p-values associated with RMC are considerably lower than 0.05, suggesting strong evidence against the null hypothesis that the coefficient for RMC is zero. Therefore, the study rejects the null hypothesis in favor of the alternative hypothesis, concluding that the coefficient for RMC is indeed non-zero, and thus, the introduction of RMC has impacted bank stability. Hence, based on the provided p-values, it can confidently be concluded that the introduction of the Risk Management Committee (RMC) has significantly impacted bank stability.

Table 4: Dummy Variable for RMC Introduction and Its Impact from 2018

VARIABLES	(1) ZScore wcR	(2) ZScore	(3) NPL	(4) LR	(5) IRR
RMC	-0.362	-0.880*	0.0223*	-0.320	-0.0241***
	(-0.454)	(0.481)	(0.012)	(0.197)	(0.004)
NPL		-3.428		15.60***	0.030
		(2.917)		(0.370)	(0.026)
LR		0.107	0.058***		-0.002
		(0.178)	(0.001)		(0.002)
IRR		-26.87***	0.245	-3.970	
		(8.076)	(0.206)	(3.385)	
ZScore			-0.002	0.018	-0.002***
			(0.002)	(0.030)	(0.001)
Constant	5.244***	8.916***	0.0363	-0.408	0.137***
	(-0.34)	(1.075)	(0.0312)	(0.513)	(0.005)
Observations	193	193	193	193	193
R-squared	0.003	0.084	0.907	0.906	0.206

Z-Score wcR= Bank Stability without controlling for other Risk exposures, Z-Score=Bank Stability when risk exposures are controlled, NPL=Non-Performing Loan, LR=Liquidity Risk, IRR=Interest Rate Risk, RMC=Risk Management Committee. Note: the dummy variable is one for the affected years and zero for otherwise.

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

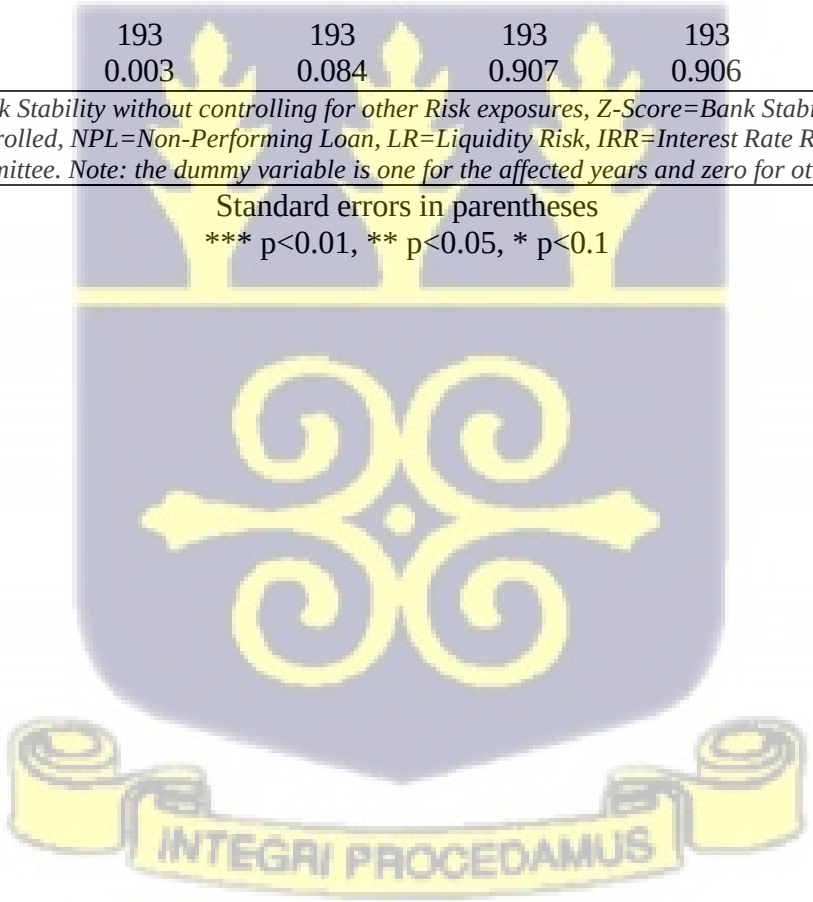

Table 5: RMC Characteristics and Bank Stability

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) ZScore
Csize	0.311								0.199
	(0.216)								(0.252)
AT	0.783	0.372	0.411	0.496	0.366	0.299		0.418	
	(2.084)	(2.077)	(2.084)	(2.074)	(2.081)	(2.064)		(2.083)	
Bsize	-0.046	-0.049	-0.068	-0.070	-0.055	-0.073	-0.045	-0.058	-0.070
	(0.090)	(0.091)	(0.103)	(0.092)	(0.093)	(0.092)	(0.091)	(0.092)	(0.109)
LEV	-0.310***	-0.299***	-0.308***	-0.290***	-0.300***	-0.287***	-0.282***	-0.296***	-0.279***
	(0.079)	(0.080)	(0.083)	(0.080)	(0.080)	(0.080)	(0.079)	(0.080)	(0.085)
LOWN	-0.010	-0.006	-0.011	-0.026	-0.011	-0.018	-0.026	-0.009	-0.017
	(0.031)	(0.032)	(0.031)	(0.032)	(0.031)	(0.031)	(0.031)	(0.032)	(0.035)
CGD		-0.070							-0.074
		(0.091)							(0.092)
RCI			-0.678						0.142
			(1.889)						(2.091)
RCIE				0.045					0.015
				(0.034)					(0.042)
RCMB					-0.053				-0.014
					(0.258)				(0.293)
RCMA						-0.291			-0.248
						(0.197)			(0.223)
ARCM							0.019*		0.014
							(0.011)		(0.013)
FERC								-0.027	-0.043
								(0.036)	(0.037)
Constant	5.471*	7.181***	8.074**	6.906***	7.380***	8.822***	6.597***	7.298***	7.243*
	(2.783)	(2.521)	(3.485)	(2.532)	(2.653)	(2.732)	(1.764)	(2.534)	(3.886)
Observations	127	127	127	125	127	127	123	125	123
R-squared	0.129	0.119	0.115	0.125	0.115	0.130	0.136	0.116	0.171

Z-Score=Bank Stability, Csize=Committee Size, CGD=Committee Gender Diversity, RCI=Risk Committee Independence, RCIE=Risk Committee members Industry experience, RCMB=Risk Committee Members' Busyness, RCMA=Risk Committee Meeting Attendance, ARCM=Age of Risk Committee Members, FERC=Financial Expertise of Risk Committee Members, AT=Auditor Type, AC=Audit Committee, Bsize=Bank Size, LEV=Leverage, LOWN= Local Ownership, FOWN=Foreign Ownership

Standard errors in parentheses

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

Table 5 presents the coefficients, and standard errors values for individual independent variables' impact on the dependent variable (Z-Score), which represents bank stability. The hypotheses were confirmed using the path coefficients and their associated p-values. As shown in Table 5, the path coefficient from Csize to bank stability is positive but not statistically significant. This finding contradicts the earlier assumption that Csize could reduce bank stability. This implies that other factors not considered in the model may have a more substantial influence on bank stability. These could include management practices, regulatory environments, or economic conditions. RDT posits that organizations must navigate complex interdependencies and resource constraints. While larger committees might intuitively seem beneficial due to increased expertise and oversight, they can also lead to inefficiencies or conflicts, diluting their effectiveness.

This finding does not lend support to hypothesis 1 which say that there is a positive and significant relationship between committee size and bank stability. The lack of statistical significance in the relationship between committee size and bank stability suggests that other factors beyond committee size might play a more influential role in determining bank stability. While a larger committee size may intuitively beneficial for bank stability due to increased expertise and oversight, the absence of statistical significance indicates that the impact of committee size alone may not be substantial (Emad-Eldeen et al., 2021). This finding is consistent with some prior studies such as; Fauzi and Locke (2012) and Berger et al. (2005) that a larger committee size might suggest more diverse expertise and oversight, but it could also lead to decision-making inefficiencies or conflicts. These studies support the RDT perspective that the focus should be on managing the quality and diversity of resources rather than merely increasing the size of the committee. Organizations may need to reconsider the emphasis placed on committee size as a determinant of stability and focus on other aspects of governance and risk management. Several

factors may contribute to the lack of significance between committee size and insolvency. Kalia et al. (2023) pointed inefficient decision-making processes, dilution of expertise, and challenges in group coordination as factor that could reduce insolvency aside committee size alone. The focus on committee size alone may overlook other critical factors such as the diversity of expertise, the quality of decision-making processes, and the alignment of committee goals with organizational objectives.

Also, the coefficient relating to CGD actions and bank stability indicates a negative and insignificant relationship. The insignificant relationship between CGD and bank stability suggests that simply increasing gender diversity within committees may not directly enhance the stability of financial institutions. This implies that factors other than gender diversity may have a more significant influence on bank stability. Galletta et al. (2022) noted financial institutions should consider a more nuanced approach to governance and decision-making processes, focusing on factors rather than solely emphasizing gender diversity initiatives. This aligns with RDT, which emphasizes the importance of managing a wide range of dependencies and resources strategically. Hence, hypothesis 2 not supported.

The implication of this finding is that, while promoting gender diversity within committees is often seen as a means to enhance decision-making and bank performance. This finding shows that gender diversity alone may not be sufficient to improve bank stability. Other factors, such as governance structures, risk management practices, or economic conditions, may have a more substantial influence on bank stability (van den Oever, & Beerens, 2021; Campbell & Mínguez-Vera, 2008; Gaio et al., 2024). This result is in line with García-Meca (2015) and Abou-El-Sood's (2019) findings that gender diversity, while beneficial for bank performance, did not always have a significant impact on bank stability. These studies support the RDT perspective that focusing on

a single aspect of committee composition, such as gender diversity, may overlook other critical factors that influence stability.

The coefficient linking RCI to bank stability is negative but unsubstantial. The lack of a significant relationship between RCI and bank stability signify that the autonomy and independence of risk committees may not directly influence the stability of financial institutions thus, rejecting hypothesis 3. While the coefficient suggests a positive effect, the non-significant p-value implies that this observed relationship may have occurred by chance, rather than representing a meaningful association. However, despite the lack of statistical significance, it can still be argued that fostering independence within risk committees could potentially enhance bank stability. RDT emphasizes the importance of managing dependencies and promoting autonomy within key organizational structures to mitigate risks effectively. Independence within risk committees can mitigate conflicts of interest and promote objective decision-making processes. A risk committee that operates independently from management and other organizational structures may be better equipped to identify, assess, and mitigate risks facing the bank. Arguably, a risk committee that operates independently from management and other organizational structures may be better equipped to identify, assess, and mitigate risks facing the bank.

This independence can foster a culture of transparency, accountability, and rigorous risk management practices, which are essential for ensuring long-term stability and resilience in the face of financial challenges (Berger et al., 2016; Tao & Hutchinson, 2013; Vallascas et al., 2017). Demirgüç-Kunt and Huizinga (1999) also affirm that, banks with greater risk management committee independence are less prone to financial crises and can exhibit greater stability over time. Similarly, Alam (2013) found that banks with more autonomous risk management functions could have higher capital adequacy ratios and withstand adverse economic conditions. This finding

implies that while regulatory guidelines often emphasize the importance of independent risk oversight, the mere presence of independent committees may not be sufficient to reduce bank stability risk. Financial institutions should focus on establishing effective risk management frameworks and governance structures that go beyond the formal composition of risk committees to effectively mitigate risks and enhance stability (Fajembola, et al., 2018).

More importantly, this study found a positive linkage between RCIE and bank stability. The positive relationship between RCIE and bank stability posits that the industry-specific knowledge and expertise of committee members may contribute to better risk management practices and ultimately enhance financial institution stability. This finding underscores the importance of having risk committees comprised of individuals with relevant industry experience who can provide insights into sector-specific risks and vulnerabilities. RDT helps explain this outcome by highlighting how a risk committee with rich industry experience can enhance bank stability. Members with extensive industry experience bring valuable insights and knowledge of the banking sector's intricacies. Their deep understanding of industry-specific risks and trends facilitates informed decision-making within the risk committee, leading to more effective risk management strategies. Financial institutions should prioritize the recruitment and retention of committee members with diverse industry backgrounds to leverage their expertise in identifying and mitigating potential risks. This finding also contradict hypothesis 4. It can be argued that a risk committee that is made of members with rich industry experience could enhance bank stability. For instance, members with extensive industry experience bring valuable insights and knowledge of the banking sector's intricacies. Their deep understanding of industry-specific risks and trends can facilitate informed decision-making within the risk committee, leading to more effective risk management strategies (Finegold, 2007). Adams et al. (2010) postulate that experienced committee

members are likely to possess a diverse understanding of various risk factors inherent in banking operations. This expertise can aid in the identification, assessment, and mitigation of risks, thereby bolstering the bank's resilience to adverse events and enhancing overall stability. The presence of seasoned industry professionals on the risk committee can enhance the committee's credibility and instill confidence among stakeholders, including regulators, investors, and customers. Their track record and reputation within the industry can serve as a signal of the bank's commitment to robust risk management practices, fostering trust and stability (Nandy et al., 2020). Meanwhile, Demirgüç-Kunt and Huizinga (1999) reported mixed results regarding the impact of industry experience on bank stability across a sample of banks from various countries. While the study found some evidence of a positive relationship between industry experience and stability, the results were not consistently significant across all countries and banking systems.

Moreover, the coefficient established a non-significant association between RCMB and bank stability. The lack of a significant relationship between RCMB and bank stability suggests that the level of busyness or external commitments of committee members may not directly impact the effectiveness of risk oversight mechanisms within financial institutions. While committee members need to dedicate sufficient time and attention to their roles, this finding implies that other factors may have a more substantial influence on stability (Trinh et al., 2020). Therefore, hypothesis 5 not support. This finding means that the level of busyness among risk committee members does not significantly impact bank stability in the context of this study. Despite the negative coefficient, which implies a potential adverse effect, the lack of statistical significance does not mean that the busyness of board members should be overlooked. Jiraporn et al. (2009) argued that effective time management practices among risk committee members may mitigate the potential negative effects of busyness on bank stability. According to RDT, the ability of committee

members to manage their external dependencies is crucial. Committee members who can efficiently allocate their time and prioritize risk management duties may still contribute effectively to the bank's stability despite other professional commitments. Field et al. (2013) and Chen et al. (2017) argued that excessive busyness among risk management committee members could lead to information overload and reduce the quality of risk oversight. The study argued that committee members with multiple professional commitments may struggle to dedicate sufficient time and attention to risk management activities, potentially undermining the effectiveness of risk management practices within the organization.

In addition, a negative and insignificant relationship between RCMA and bank stability has been established. The insignificance of the relationship between RCMA and insolvency denotes that simply convening meetings may not guarantee effective risk oversight or contribute significantly to overall bank stability. While attendance at risk committee meetings is essential for information dissemination and decision-making, this finding implies that the quality of discussions, the depth of analysis, and the implementation of decisions may play a more critical role in reducing insolvency risk hence, hypothesis 6 not supported. Although meeting attendance is important for effective governance and decision-making within risk committees, merely attending meetings may not guarantee meaningful contributions to bank stability. Active participation, engagement in discussions, and constructive input from committee members are equally crucial for formulating and implementing robust risk management strategies (Singhvi et al., 2020). It has been argued by Zhang et al. (2019) that excessive focus on meeting attendance could distract members from substantive discussions and decision-making processes. In line with RDT, the study argued that qualitative aspects of committee meetings, such as the depth of discussions and the quality of decisions, may be more critical determinants of bank stability than mere attendance rates.

Furthermore, this study found a positive linkage between ARCM and bank stability. Although the positive relationship indicates a potential association between the age of risk committee members and insolvency, the lack of statistical significance implies that other factors may have a more substantial influence on overall stability. This finding underscores the importance of considering various demographic and experiential characteristics of risk committee members beyond age alone, therefore hypothesis 7 is not supported. The positive coefficient implies that older risk committee members may bring valuable experience, wisdom, and institutional knowledge to the decision-making process. Their accumulated expertise in risk management practices and understanding of industry nuances may positively influence the committee's effectiveness in safeguarding bank stability. In the same vein, older committee members may bring valuable experience, younger members may offer fresh perspectives, innovative approaches, and familiarity with emerging risks. This aligns with RDT's view that experienced internal resources can help organizations better manage their external dependencies and risks. A balanced mix of age and diversity among committee members may enhance the committee's ability to adapt to evolving risk landscapes and ensure robust risk management practices (Gavrea & Stegerean, 2012; Bathula, 2008). Matanda et al. (2003) postulated age may be one factor influencing the effectiveness of risk committee members, the lack of statistical significance suggests that other variables or contextual factors may exert a more substantial influence on bank stability. Variables such as tenure, qualifications, diversity, and skills set among committee members should be considered alongside age to comprehensively assess their impact on bank stability. Zigraiova (2016) argued that while experience and wisdom gained over time may contribute to effective risk management, the study suggests that factors such as expertise, diversity, and engagement may play equally or more critical roles in reducing insolvency risk.

The path coefficient from FERC to bank stability can be stipulated as being insignificant and negative. This finding contradicts the earlier assumption that FERC could enhance insolvency. While the negative relationship between the financial expertise of risk committee members and bank stability suggests a potential influence, the lack of statistical significance implies that other factors may exert more substantial effects on overall stability. This signifying a negative and insignificant relationship in regards to bank stability so hypothesis 8 is rejected. This result means that just having financial experts on the risk committee may not significantly influence bank stability in isolation. Given the negative and insignificant relationship between financial expertise of risk committee members and bank stability, it can be submitted that having expert directors on corporate boards is associated with improved corporate governance practices, such as better monitoring of management and more effective decision-making processes. They emphasized that the quality of expertise, rather than just the quantity, is crucial for enhancing governance effectiveness and organizational performance (Güner et al., 2008). RDT supports the notion that the effectiveness of internal resources is not solely about their presence but also about how well they are utilized. This finding underscores the complexity of risk management in banking institutions, where expertise alone may not guarantee enhanced stability.

Effective risk management committees exhibit key characteristics such as committee size, industry experience, independence, financial expertise, gender diversity, age of committee members, and meeting attendance (Malik et al., 2021; Bensaid et al., 2021). These characteristics contribute to their ability to provide objective oversight, identify emerging risks, and develop robust risk management strategies, ultimately enhancing organizational resilience and stability (Malik et al., 2021; Bensaid et al., 2021). These measures provide understandings into the committee's impact on risk governance, decision-making quality, and organizational performance.

Table 6: RMC Characteristics and Bank Stability After Policy Introduction

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) ZScore
Csize	0.349								0.056
	(0.312)								(-0.363)
AT	0.202	-0.073	-0.073	-0.073	-0.283	-0.576		-0.278	
	(-2.262)	(-2.225)	(-2.225)	(-2.225)	(-2.234)	(-2.198)		(-2.245)	
Bsize	0.137	0.098	0.098	0.098	0.137	0.126	0.129	0.133	0.099
	(-0.127)	(-0.132)	(-0.132)	(-0.132)	(-0.128)	(-0.126)	(-0.128)	(-0.131)	(-0.147)
LEV	-0.160*	-0.125	-0.125	-0.125	-0.135	-0.125	-0.124	-0.132	-0.111
	(-0.095)	(-0.093)	(-0.093)	(-0.093)	(-0.094)	(-0.092)	(-0.093)	(-0.095)	(-0.103)
LOWN	-0.009	-0.044	-0.044	-0.044	-0.024	-0.028	-0.040	-0.017	-0.042
	(-0.044)	(-0.046)	(-0.045)	(-0.046)	(-0.044)	(-0.042)	(-0.044)	(-0.045)	(-0.055)
CGD		-0.719							-0.085
		(0.099)							(-0.101)
RCI			-0.103						0.276
			(2.447)						(-2.648)
RCIE				0.061					0.036
				(0.044)					(-0.054)
RCMB					0.109				0.233
					(0.372)				(-0.422)
RCMA						-0.529			-0.653*
						(0.014)			(-0.351)
ARCM							0.020		0.014
							(0.014)		(-0.016)
FERC								-0.017	-0.034
								(0.041)	(-0.043)
Constant	1.726	3.338	3.338	3.338	3.326	6.071*	2.551	3.585	4.72
	(-3.417)	(-3.016)	(-3.016)	(-3.016)	(-3.127)	(-3.311)	(-2.478)	(-3.054)	(-4.833)
Observations	81	79	79	79	81	81	77	79	77
R-squared	0.078	0.085	0.085	0.085	0.064	0.097	0.087	0.063	0.163

Z-Score=Bank Stability, Csize=Committee Size, CGD=Committee Gender Diversity, RCI=Risk Committee Independence, RCIE=Risk Committee members Industry experience, RCMB=Risk Committee Members' Busyness, RCMA=Risk Committee Meeting Attendance, ARCM=Age of Risk Committee Members,

FERC=Financial Expertise of Risk Committee Members, AT=Auditor Type, AC=Audit Committee, Bsize=Bank Size, LEV=Leverage, LOWN= Local Ownership, FOWN=Foreign Ownership

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The coefficient for committee size is positive, suggesting that an increase in the size of the risk committee may be associated with improved bank stability. This implies that while larger committees might bring diverse expertise and perspectives, other factors such as the effectiveness of the committee's operations, the quality of interactions among members, and the overall governance framework might play more crucial roles in ensuring bank stability. Similarly, the coefficient for committee gender diversity is negative, indicating an inverse relationship between gender diversity within the committee and bank stability. Yet, this relationship is statistically insignificant (p-value of 0.0992), suggesting that simply increasing gender diversity does not necessarily enhance stability. This finding implies that while gender diversity is important, other factors such as the skills, experience, and effectiveness of committee members in risk management practices might have more substantial effects on stability. In addition, the risk committee independence is inversely related to bank stability. This suggests that greater independence of risk committee members does not significantly influence bank stability. While independence is crucial for unbiased decision-making and mitigating conflicts of interest, this finding implies that independence alone may not be sufficient. Effective risk oversight likely requires a combination of independence, expertise, and a strong governance framework to positively impact bank stability. Furthermore, the risk committee industry expertise is positive, indicating that having members with industry-specific knowledge and experience might contribute to better risk management and enhance bank stability. However, the lack of statistical significance suggests that this relationship is not conclusive. This implies that while industry expertise is beneficial, it must be complemented with other factors such as the overall governance practices and the strategic use of that expertise in decision-making processes to effectively influence stability.

Moreover, the path coefficient for risk committee member busyness is positive, suggesting that having committee members with multiple external commitments might have a positive impact on bank stability. Nevertheless, this relationship is statistically insignificant, indicating that the busyness of committee members does not have a definitive effect on stability. Effective time management and prioritization of risk management duties are essential for these members to contribute positively to the bank's stability despite their other commitments. Additionally, the risk committee meeting attendance is negative and statistically significant. This finding indicates that simply attending meetings does not enhance bank stability and might even be detrimental. The quality of discussions, the depth of analysis, and the implementation of decisions made during these meetings are likely more critical factors. This underscores the importance of active participation and meaningful engagement in meetings, rather than mere attendance, for effective risk management and enhancing bank stability. Likewise, the age of risk committee members is positive but statistically insignificant. This suggests that the age of committee members has a minimal and inconclusive impact on bank stability. While older members might bring valuable experience and institutional knowledge, this finding implies that a balance of age and diversity, along with other demographic and experiential characteristics, may be more important for effective risk management and ensuring stability. Finally, the coefficient for the financial expertise of risk committee members is negative and statistically insignificant. This indicates that having financial experts on the risk committee does not significantly influence bank stability in isolation. This underscores the complexity of risk management in banking institutions, where expertise alone may not guarantee enhanced stability. The quality of expertise, effective decision-making processes, and robust governance practices are essential for leveraging financial expertise to positively impact stability.

Comparing the risk management characteristics after the introduction of the corporate governance regulation in the banking sector, from 2018 to 2022 to the entire data period before and after the introduction of the regulation from 2013 to 2022, to emphasis on the robustness of the findings. The findings show mix results for RCMB. However, both periods share similarities in their overall findings. They both indicate a positive but statistically insignificant relationship between Csize and bank stability, suggesting that while larger committees might bring diverse expertise, other factors play more crucial roles in ensuring stability. Both periods also highlight a negative and statistically insignificant relationship between CGD and bank stability, implying that simply increasing gender diversity does not necessarily enhance stability. Additionally, both periods find a negative and statistically insignificant relationship between RCI and bank stability, indicating that independence alone may not be sufficient for effective risk oversight. Similarly, both texts point to a positive but statistically insignificant relationship between RCIE and bank stability, suggesting that industry expertise must be complemented with other governance practices to effectively influence stability. It again finds a negative relationship between RCMA and bank stability, stressing that active participation and meaningful engagement are more critical than mere attendance. Moreover, they both indicate a positive but statistically insignificant relationship between the ARCM and bank stability, highlighting the importance of a balance of age and diversity. Finally, both highlights a negative and statistically insignificant relationship between the FERC and bank stability, emphasizing the need for effective decision-making processes and robust governance practices.

Table 7: RMC Characteristics and NPL

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) NPL
Csize	0.044**								-0.000
	(0.017)								(0.005)
AT	-0.067	-0.125	-0.133	-0.105	-0.125	-0.119		-0.124	
	(0.167)	(0.170)	(0.170)	(0.167)	(0.170)	(0.168)		(0.169)	
Bsize	-0.013*	-0.014*	-0.011	-0.017**	-0.014*	-0.012	-0.015**	-0.015*	0.003
	(0.007)	(0.007)	(0.008)	(0.007)	(0.008)	(0.007)	(0.008)	(0.007)	(0.002)
LEV	-0.009	-0.008	-0.006	-0.007	-0.008	-0.009	-0.008	-0.008	0.000
	(0.006)	(0.007)	(0.007)	(0.006)	(0.007)	(0.006)	(0.007)	(0.006)	(0.001)
LOWN	0.002	0.002	0.001	-0.000	0.002	0.002	0.001	0.000	
	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.002)	(0.003)	(0.003)	
CGD		-0.003							-0.001
		(0.007)							(0.002)
RCI			0.122						0.068
			(0.154)						(0.044)
RCIE				0.006**					-0.001
				(0.003)					(0.001)
RCMB					-0.003				0.005
					(0.021)				(0.006)
RCMA						0.027*			0.001
						(0.016)			(0.005)
ARCM							0.000		0.000
							(0.000)		(0.000)
FERC								0.004	-0.001
								(0.003)	(0.001)
FOWN									-0.000
									(0.000)
Constant	0.674***	0.918***	0.764***	0.897***	0.930***	0.769***	0.800***	0.927***	-0.048
	(0.223)	(0.206)	(0.284)	(0.204)	(0.216)	(0.222)	(0.146)	(0.205)	(0.081)

Observations	127	127	127	125	127	127	123	125	123
R-squared	0.095	0.048	0.052	0.083	0.048	0.069	0.047	0.065	0.093

NPL=Non-Performing Loan, Csize=Committee Size, CGD=Committee Gender Diversity, RCI=Risk Committee Independence, RCIE=Risk Committee members Industry experience, RCMB=Risk Committee Members' Busyness, RCMA=Risk Committee Meeting Attendance, ARCM=Age of Risk Committee Members, FERC=Financial Expertise of Risk Committee Members, AT=Auditor Type, AC=Audit Committee, Bsize=Bank Size, LEV=Leverage, LOWN= Local Ownership, FOWN=Foreign Ownership

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Tables 7 presents the results of the impact of individual independent variables on the dependent variable, NPL, and the collective effect of these variables through linear regression, respectively. The coefficient indicates a negative relationship between committee size and non-performing loans, although it is not statistically significant, suggesting that committee size does not significantly impact non-performing loans in this context. The insignificant relationship between committee size and non-performing loans implies that other factors may play a more substantial role in determining loan performance within banking institutions. While committee size may have some influence on risk management practices, its direct impact on reducing non-performing loans appears to be limited in this study. Therefore, focusing solely on increasing committee size may not be an effective strategy for mitigating non-performing loans, and banks may need to explore other avenues for improving loan performance.

The negative but insignificant relationship between committee gender diversity and non-performing loans has been established. The insignificant relationship between committee gender diversity and non-performing loans implies that gender diversity within risk management committees may not have a significant effect on reducing NPL in banking institutions. While gender diversity is often considered beneficial for decision-making processes and risk management practices, its impact on loan performance appears to be limited in this study. Alam et al. (2023), opined that simply increasing gender diversity within risk management committees may not be sufficient to mitigate non-performing loans, and banks may need to explore additional strategies for enhancing loan performance. The coefficient for risk committee independence and non-performing-loans, denotes a positive but marginally significant relationship implying that greater independence might slightly increase non-performing loans, contrary to expectations. The marginally significant positive relationship between risk committee independence and non-

performing loans raises questions about the effectiveness of independent risk committees in mitigating loan performance issues. While risk committee independence is often advocated for its potential to enhance risk management practices and decision-making autonomy, the findings of this study suggest that overly independent committees may not always lead to better loan performance. It is possible that excessively independent committees may lack sufficient oversight or coordination, resulting in suboptimal risk management strategies and ultimately contributing to higher non-performing loans. The coefficient signifies no significant relationship between the industry experience of risk committee members and non-performing loans. This implies that the industry experience of committee members does not appear to significantly influence non-performing loans in this study. The lack of a significant relationship between the industry experience of risk committee members and NPL implies that, in the context of this study, the specific industry expertise of committee members may not play a substantial role in influencing loan performance. Akter et al. (2021) posits that factors other than industry experience, such as risk assessment methodologies, regulatory compliance, or macroeconomic conditions, may have a more pronounced impact on NPL within the banking sector. The result is suggesting a positive but insignificant relationship between risk committee members' busyness and non-performing loans, indicating that the level of busyness among committee members does not significantly influence non-performing loans. The non-significant relationship between risk committee members' busyness and NPL implies that the availability or workload of committee members may not be a crucial factor affecting loan performance within the context of this study. Other factors, such as decision-making processes, risk assessment frameworks, or external economic conditions, may have a more substantial impact on NPL outcomes in banking institutions (Lestari, 2018). There is a positive but insignificant relationship between risk committee meeting attendance and non-

performing loans, implying that attendance at risk committee meetings does not significantly affect non-performing loans. The non-significant relationship between risk committee meeting attendance and NPL suggests that the mere presence of committee members at meetings may not be sufficient to mitigate the occurrence of non-performing loans. It implies that other factors, such as the quality of discussions, decision-making processes, or the effectiveness of risk management strategies, may play a more critical role in influencing NPL outcomes in banking institutions. The coefficient implies no significant relationship between the age of risk committee members and non-performing loans, indicating that the age composition of committee members does not significantly impact non-performing loans. The non-significant relationship between the age of risk committee members and NPL implies that factors other than age, such as expertise, experience, and decision-making capabilities, may be more influential in determining NPL outcomes in banking institutions. While age diversity within risk committees may be important for promoting varied perspectives, it may not directly affect the occurrence of NPL (Kartika et al., 2022). The coefficient for, financial expertise of risk committee members and non-performing loans indicating a negative but insignificant relationship. This denotes that financial expertise does not significantly influence non-performing loans in this study. The insignificant relationship between the financial expertise of risk committee members and NPL implies that factors other than financial knowledge, such as decision-making processes, risk assessment strategies, and external economic factors, may play a more substantial role in determining NPL outcomes in banking institutions. Fajembola et al. (2018) posit that while financial expertise is valuable within risk committees, it may not directly impact NPL levels.

In Table 7, the significance level for the collective effect of the independent variables on NPL, as indicated, is not statistically significant at conventional levels. This implies that as a group, the

independent variables, including Csize, CGD, RCI, RCIE, and other variables, do not significantly explain the variation in non-performing loans in the model.

Specifically, while RCI shows some marginal significance. It does not reach conventional levels of significance. Other variables such as RCIE, RCMB, and FERC also exhibit insignificant relationships with non-performing loans, with p-values above 0.1. Overall, the collective impact of these variables, as indicated by the F-test, does not provide strong evidence to support their combined influence on non-performing loans. This suggests that other unaccounted factors or additional variables not included in the model might play a more significant role in explaining variations in non-performing loans in the context of this study.

Table 8: RMC Characteristics and LR

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) LR
Csize	0.044**								
	(0.017)								
AT	-0.067	-0.125	-0.133	-0.105	-0.125	-0.119		-0.124	
	(0.167)	(0.170)	(0.170)	(0.167)	(0.170)	(0.168)		(0.169)	
Bsize	-0.013*	-0.014*	-0.011	-0.017**	-0.014*	-0.012	-0.015**	-0.015*	-0.007
	(0.007)	(0.007)	(0.008)	(0.007)	(0.008)	(0.007)	(0.008)	(0.007)	(0.008)
LEV	-0.009	-0.008	-0.006	-0.007	-0.008	-0.009	-0.008	-0.008	-0.008
	(0.006)	(0.007)	(0.007)	(0.006)	(0.007)	(0.006)	(0.007)	(0.006)	(0.007)
LOWN	0.002	0.002	0.001	-0.000	0.002	0.002	0.001	0.001	0.002
	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
CGD		-0.003							-0.002
		(0.007)							(0.007)
RCI			0.122						0.301*
			(0.154)						(0.163)
RCIE				0.006**					0.005
				(0.003)					(0.003)
RCMB					-0.003				-0.041*
					(0.021)				(0.023)
RCMA						0.027*			0.051***
						(0.016)			(0.017)
ARCM							0.000		-0.000
							(0.001)		(0.001)
FERC								0.004	0.002
								(0.003)	(0.003)
Constant	0.674***	0.918***	0.764***	0.897***	0.930***	0.769***	0.800***	0.927***	0.014
	(0.223)	(0.206)	(0.284)	(0.204)	(0.216)	(0.222)	(0.146)	(0.205)	(0.302)
Observations	127	127	127	125	127	127	123	125	123
R-squared	0.095	0.048	0.052	0.083	0.048	0.069	0.047	0.065	0.194

LR=Liquidity Risk, Csize=Committee Size, CGD=Committee Gender Diversity, RCI=Risk Committee Independence, RCIE=Risk Committee members Industry experience, RCMB=Risk Committee Members' Busyness, RCMA=Risk Committee Meeting Attendance, ARCM=Age of Risk Committee Members, FERC=Financial Expertise of Risk Committee Members, AT=Auditor Type, AC=Audit Committee, Bsize=Bank Size, LEV=Leverage, LOWN= Local Ownership, FOWN=Foreign Ownership

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The result signifies a statistically significant positive relationship between committee size and LR. A larger committee size is associated with higher liquidity risk. The statistically significant positive relationship between committee size and LR implies that larger committee sizes are associated with higher levels of liquidity risk within banking institutions. This finding indicates that the size of risk management committees may influence the ability of banks to effectively manage liquidity risk. Larger committees may introduce challenges such as coordination issues, communication barriers, and decision-making complexities, which could potentially exacerbate liquidity risk (Galletta et al., 2021). The coefficient indicates a statistically insignificant negative relationship between committee gender diversity and liquidity risk. This suggests that gender diversity within the committee does not have a significant impact on liquidity risk. The lack of statistical significance in this negative relationship implies that gender diversity does not meaningfully affect liquidity risk levels in banking institutions. This finding suggests that other factors may have a more substantial impact on liquidity risk management within financial organizations than gender diversity. The coefficient denotes a statistically insignificant positive relationship between risk committee independence and liquidity risk. This implies that the level of independence within the risk committee does not significantly affect liquidity risk. Thus, the degree of independence within risk management committees may not have a meaningful impact on liquidity risk levels in banking institutions. This finding implies that factors other than committee independence may contribute significantly in influencing liquidity risk management practices within financial organizations. The coefficient indicates a statistically significant positive relationship between the industry experience of risk committee members and liquidity risk. This suggests that greater industry experience among committee members is associated with higher liquidity risk. The statistically significant positive relationship between the industry experience of risk committee members and liquidity risk implies

that a higher level of industry experience among committee members may lead to increased liquidity risk in banking institutions. The implication of this finding is that while industry experience can provide valuable insights and expertise, it may also introduce risks associated with decision-making and risk management processes within financial organizations. The coefficient shows a statistically insignificant negative relationship between the busyness of risk committee members and liquidity risk. This implies that the level of busyness among committee members does not significantly impact liquidity risk. The insignificant negative correlation between the busyness of risk committee members and liquidity risk indicates that the committee members' level of busyness does not significantly affect liquidity risk in banking institutions. This finding implies that while the availability and commitment of committee members are important factors in effective risk management, their level of busyness may not directly contribute to liquidity risk levels especially where they are engaged in outside committee activities. The result is indicating a statistically insignificant positive relationship between risk committee meeting attendance and liquidity risk. This suggests that higher meeting attendance does not significantly affect liquidity risk. The statistically insignificant positive relationship between risk committee meeting attendance and liquidity risk suggests that higher meeting attendance does not significantly affect liquidity risk in banking institutions. This finding implies that simply increasing the frequency or attendance of risk committee meetings may not necessarily lead to better management of liquidity risk. There is a statistically insignificant positive relationship between the age of risk committee members and liquidity risk. This implies that the age of committee members does not significantly impact liquidity risk. The insignificance of the relationship between the age of risk committee members and liquidity risk implies that age diversity within risk committees may not directly influence liquidity risk management in banking institutions. This suggests that traditional notions

of experience and tenure may not always translate into better liquidity risk outcomes. Furthermore, the relationship between the financial expertise of risk committee members and liquidity risk is statistically insignificant and positive. This indicates that the financial expertise of committee members does not have a significant impact on liquidity risk. The findings suggest that higher levels of financial expertise among committee members may not notably influence liquidity risk in banking institutions. This implies that other factors, aside from the individual expertise of committee members, might play a more crucial role in effectively managing liquidity risk. The analysis focuses on the overall significance of the variables in relation to the probability associated with the F-test (Prob > F = 0.009). The F-test for the model shows a probability (Prob > F) of 0.009, indicating that the model is statistically significant at the 0.01 level. This means that the combined effect of the independent variables on liquidity risk (LR) is significant. Among the individual coefficients, the following variables have p-values less than 0.009: The coefficient for committee size is 0.053 with a p-value of 0.008, indicating a statistically significant positive relationship between committee size and liquidity risk. The coefficient for committee independence is 0.301 with a p-value of 0.067, showing a marginally significant positive relationship between risk committee independence and liquidity risk. The coefficient for risk committee meeting attendance is 0.051 with a p-value of 0.004, indicating a statistically significant positive relationship between meeting attendance and liquidity risk. The remaining variables, including CGD, RCIE, RCMB, ARCM, and FERC, do not have coefficients with p-values less than 0.009, suggesting that their individual effects on liquidity risk are not statistically significant in this model. Overall, the significant variables, namely committee size, risk committee independence, and risk committee meeting attendance play important roles in explaining liquidity

risk within banks. However, other factors may also influence liquidity risk, highlighting the complexity of risk management in banking institutions.

Table 9: RMC Characteristics and IRR

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) IRR
Csize	0.006***								
	(0.002)								
AT	-0.005	-0.013	-0.015	-0.010	-0.013	-0.012		-0.013	
	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)		(0.020)	
Bsize	-0.002**	-0.002**	-0.001	-0.002***	-0.001	-0.002*	-0.002**	-0.002**	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
LEV	-0.001	-0.001	-0.000	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
LOWN	0.000	0.000	0.000	-0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
CGD		-0.000							-0.000
		(0.001)							(0.001)
RCI			0.032*						0.046**
			(0.018)						(0.018)
RCIE				0.001***					0.000
				(0.000)					(0.000)
RCMB					0.007***				0.001
					(0.002)				(0.002)
RCMA						0.005**			0.007***
						(0.001)			(0.002)
ARCM							0.000***		0.000**
							(0.000)		(0.000)
FERC								0.000	-0.000
								(0.000)	(0.000)
Constant	0.127***	0.162***	0.121***	0.158***	0.140***	0.137***	0.135***	0.163***	-0.001
	(0.026)	(0.024)	(0.033)	(0.024)	(0.025)	(0.026)	(0.017)	(0.025)	(0.033)
Observations	127	127	127	125	127	127	123	125	123
R-squared	0.125	0.055	0.079	0.114	0.114	0.099	0.121	0.061	0.327

IRR=Interest Rate Risk, Csize=Committee Size, CGD=Committee Gender Diversity, RCI=Risk Committee Independence, RCIE=Risk Committee members Industry experience, RCMB=Risk Committee Members' Busyness, RCMA=Risk Committee Meeting Attendance, ARCM=Age of Risk Committee Members, FERC=Financial Expertise of Risk Committee Members, AT=Auditor Type, AC=Audit Committee, Bsize=Bank Size, LEV=Leverage, LOWN= Local Ownership, FOWN=Foreign Ownership

Standard errors in parentheses

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

Tables 9 presents the results of the impact of individual independent variables on the dependent variable, Interest Rate Risk (IRR), and the collective effect of these variables through linear regression, respectively.

The coefficient for Csize is signifying a statistically significant positive relationship between committee size and IRR. The statistically significant positive relationship between committee size and IRR suggests that larger committees may be linked to higher levels of IRR in banking institutions. This finding indicates that the size and composition of risk committees could play a crucial role in effectively managing interest rate risk. The coefficient indicates a marginally significant positive relationship between risk committee independence and IRR, implying that greater independence within risk committees might be associated with increased IRR. This suggests that the level of independence within risk committees could have implications for managing interest rate risk effectively. Additionally, the statistically significant positive relationship between the industry experience of risk committee members and IRR implies that more industry experience among committee members may be linked to higher levels of interest rate risk in banking institutions. This finding suggests that the industry-specific knowledge and expertise of committee members may play a role in shaping interest rate risk exposure. The output is showing a statistically significant positive relationship between the busyness of risk committee members and IRR. The statistically significant positive relationship between the busyness of risk committee members and IRR suggests that busier committee members may contribute to higher levels of interest rate risk in banking institutions. This finding implies that the workload or external commitments of committee members may impact their ability to effectively manage interest rate risk. The results indicate a statistically significant positive relationship between risk committee meeting attendance and IRR. This suggests that higher attendance at risk committee meetings may

be associated with increased levels of IRR in banking institutions. This finding implies that active participation in risk committee meetings may not necessarily lead to better management of interest rate risk. There is no significant relationship between the financial expertise of risk committee members and IRR. This finding indicates that the level of financial expertise among committee members may not significantly impact IRR in banking institutions. This finding implies that other factors beyond financial expertise may play a more substantial role in influencing interest rate risk levels. Other variables such as CGD, and ARCM, do not have coefficients with p-values less than 0.01, implying that their individual effects on IRR are not statistically significant in this model. These findings suggest that certain aspects of risk committee composition and dynamics, as well as bank size, are important factors influencing interest rate risk within banks.

The overall significance of the regression model is evaluated through the F-test, where the null hypothesis is that all coefficients are equal to zero. With a prob > F value of 0.000, the study rejects the null hypothesis, indicating that at least one of the independent variables in the model has a statistically significant relationship with the dependent variable, IRR.

This result suggests that collectively, the independent variables included in the model contribute significantly to explaining the variation in IRR. The statistically significant F-test result (prob > F = 0.000) indicates that at least one of the independent variables included in the regression model has a significant relationship with the dependent variable, IRR. This finding suggests that collectively, the risk management characteristics examined in the model contribute significantly to explaining the variation in interest rate risk. It underscores the importance of considering multiple risk management factors when analyzing and managing interest rate risk in banking institutions.

4.5: Chapter Summary

The results indicate that having a Risk Management Committee (RMC) moderately reduces the risk of instability, with a coefficient of -0.362, meaning stronger regulations help improve stability. When accounting for other risk factors, the RMC's impact becomes more significant, with a coefficient of -0.880. However, aspects like committee size, gender diversity, and independence do not significantly affect bank stability. On the other hand, industry-specific expertise of committee members is positively linked to stability, highlighting the value of relevant experience. These results suggest that effective risk management and diverse expertise are essential for improving bank stability.

Different factors influence non-performing loans (NPL), liquidity risk (LR), and interest rate risk (IRR). Committee size is negatively related to NPL but positively related to LR and IRR. Gender diversity and age have no significant effect on NPL or LR. Independence in risk committees slightly increases NPL, LR, and IRR. Industry experience is positively associated with LR and IRR but not with NPL. Factors like committee busyness and meeting attendance have a positive but insignificant impact on LR and IRR. In conclusion, various characteristics together influence risk taking in banks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Introduction

This study assessed the effects risk management committee characteristics on bank stability in the Ghanaian banking industry. Hence, the findings obtained in chapter four are presented in this chapter. It further concludes and makes recommendations for to the bank managers and the regulator Bank of Ghana and recommendations for future research into this subject matter.

5.2: Summary of the Findings

The study examined the effects of risk management committee characteristics on bank stability in the Ghanaian banking industry. Twenty-three banks' annual reports for the periods 2013-2022 were analyzed. The period selected was due to the availability of data. The study was also guided by explanatory research design. The study employed regression analysis to analyze the data collected based on the resource dependency theory.

5.3: Key Summary Findings

The study's analysis of the effect of the introduction of Risk Management Committee (RMC) on bank stability, reveals a significant impact on bank stability. Across various regression models, there is strong evidence against the null hypothesis.

On the committee's characteristics, while the study expected RMC size to be significantly positively associated with bank stability, it rather found that there is a positive but insignificant relationship between committee size and bank stability.

Similarly, committee gender diversity demonstrates a negative and insignificant relationship with bank stability. Contrary to the expected result of RMC gender diversity is highly positively related to bank stability

Additionally, the research expected RMC independence to be significantly positively related to bank stability as against what has been found, a positive yet statistically insignificant relation between risk committee independence and bank stability.

Moreover, there appears to be a positive and insignificant nexus between risk committee members' industry experience and bank stability as against the expected results of RMC industry experience to be positively related to bank stability.

Furthermore, the study indicates that risk committee members' busyness does not have a significant relationship with bank stability which is invariable to the expected findings that, RMC members' busyness is negatively significant with bank stability.

Although the study expected a highly positive relationship between RMC members' meeting attendance and bank stability, there was a negative relationship between risk committee meeting attendance and bank stability, and it lacks statistical significance.

The age of risk committee members shows a positive but statistically insignificant relationship with bank stability against the expectation that the age of RMC members will be significantly positively associated with bank stability.

Lastly, the financial expertise of risk committee members demonstrates a negative and insignificant relationship with bank stability different from the expectation that RMC members' financial expertise is positively related to bank stability.

5.4: Conclusions

This study assessed the introduction of the risk management committee risk management committee characteristics and Bank Stability in Ghana. The study concludes that;

The Risk Management Committee's (RMC) introduction significantly affects bank stability. Analysis of the significant levels across regression models confirms this impact, emphasizing the importance of establishing effective RMCs within banks for financial sector stability.

Simply increasing the size of the committee does not necessarily enhance bank stability. This suggests that other factors, such as the effectiveness of the committee's operations, the quality of interactions among its members, and the overall governance framework, may play more critical roles in ensuring stability. The positive direction of the relationship indicates that larger committees might have the potential to contribute positively, but the lack of significance means that size alone is not a decisive factor. Thus, banks should focus on optimizing the quality and effectiveness of their committees rather than just increasing their size.

Increasing gender diversity within the risk management committee does not necessarily lead to enhanced bank stability. Bank is a risk industry as such women in the banking have risk taking appetite so their existence on the committee is no guarantee for bank stability. This suggests that other factors, such as the specific skills, experience, and overall effectiveness of the committee members, may play more crucial roles in influencing stability. Therefore, focusing solely on gender diversity without considering these other factors may not be sufficient to improve bank stability.

While independence is important, it alone may not be sufficient to enhance bank stability. This suggests that merely having independent committee members does not guarantee effective oversight or decision-making. Other factors, such as the expertise of the members, the quality of risk management practices, and the broader governance framework, may be more critical in ensuring stability. Thus, banks should focus on combining independence with other key attributes to strengthen stability.

Having industry experience on the committee does not significantly impact stability. This suggests that while industry knowledge can be beneficial, it must be complemented by other factors, such as strong governance practices and comprehensive risk management strategies, to meaningfully enhance bank stability.

Multiple external commitments do not necessarily undermine bank stability. This suggests that committee members can manage their time effectively and still contribute to stability, contrary to the expectation that busyness would negatively impact their ability to oversee risk management effectively.

Merely attending meetings does not enhance stability. This suggests that the quality of discussions and decision-making during these meetings is more important than the frequency of attendance. It highlights the need for active participation and meaningful engagement rather than just showing up.

While older members may bring experience, their age alone does not significantly enhance stability. This implies that other factors, such as diverse perspectives, relevant expertise, and effective decision-making, are more critical for promoting bank stability than the age of the committee members.

Financial experts on the committee do not necessarily enhance stability. This implies that expertise alone is insufficient for effective risk management. That notwithstanding, it is argued that people with expertise in accounting, banking and finance, or insurance should be appointed to the committee as they understand how to apply their expertise in mitigating risk and integrating into decision-making processes, which are more critical in ensuring bank stability.

Overall, this study differs from others by focusing on the introduction of the RMC and its characteristics in the context of bank stability in Ghana. Unlike other studies, it emphasizes the significant impact of RMC establishment on financial sector stability while highlighting the complexity of relationships between RMC characteristics and bank stability, despite a lack of statistical significance in direct relationships. It provides a nuanced view, considering factors like committee size, gender diversity, independence, industry experience, busyness, meeting quality, and a mix of age and expertise, which are often overlooked in similar research. In contrast, other studies often find clear, statistically significant correlations between specific RMC characteristics and bank stability, typically focusing on different regions or taking a broader approach that emphasizes the overall quality of corporate governance and its direct impact on financial stability.

5.5: Recommendations

Based on the findings provided, here are some practical recommendations for bank management, the Bank of Ghana, and policymakers:

Prioritize the establishment and empowerment of RMCs within financial institutions. This entails ensuring sufficient resources, authority, and diverse expertise for RMCs to effectively identify, assess, and mitigate risks. By encouraging a culture of risk management excellence through RMCs, banks can enhance resilience to financial shocks and promote long-term stability in the banking sector.

Banks should prioritize enhancing the effectiveness and quality of their risk committees over merely increasing their size. This can be achieved by focusing on improving the interactions among committee members, ensuring a strong governance framework, and fostering a collaborative environment that leverages diverse expertise for better decision-making.

While demographic characteristics such as age and gender diversity are important, banks should also consider other factors such as members' tenure, qualifications, and specific skill sets. This comprehensive approach ensures that the committee is well-equipped to handle the complexities of risk management.

Banks should enhance stability by combining the independence of risk committee members with their expertise and strong risk management practices. The independence of the committee members enhances their objectivity. Emphasizing a well-rounded governance framework that integrates independent oversight with skilled, knowledgeable members will lead to more effective decision-making and oversight, ultimately improving bank stability.

Financial institutions should prioritize the recruitment and retention of committee members with extensive industry experience. These members bring valuable insights into sector-specific risks and can contribute to more effective risk management strategies.

While the study finds no significant impact of member busyness on stability, it is still important to ensure that committee members can dedicate sufficient time and attention to their roles. This might involve setting clear expectations for time commitment and providing support to manage their workloads effectively.

Encourage active participation and meaningful engagement in committee meetings. This includes fostering an environment where members can freely share their insights and engage in in-depth discussions, ensuring that decisions are well-informed and effectively implemented.

Banks should focus on assembling risk committees that balance age with diversity of perspectives, relevant expertise, and strong decision-making skills. This approach will ensure

that the committees are not only experienced but also adaptable, innovative, and effective in addressing complex risk management challenges to enhance bank stability.

Banks should appoint risk committee members who not only have expertise in accounting, banking, finance, or insurance but can also effectively apply their knowledge in practical risk management and decision-making. This ensures that their expertise contributes meaningfully to identifying and mitigating risks, thereby enhancing bank stability.

By implementing these recommendations, financial institutions can enhance their risk management practices, leading to improved bank stability and resilience in the face of financial challenges.

5.6: Suggestions for Further Research

This is a developing story at its early stages so in future there is the need to come back to it looking at the interaction between RMC and Audit Committees' impact on bank stability.

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