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CEO Characteristics, Audit Committee Attributes and Credit Risk Management in Nigerian Deposit Money Banks

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Abstract

Credit risk remains the most pervasive threat to the solvency of Deposit Money Banks (DMBs) in Nigeria, as reflected in recurring episodes of non-performing loans, regulatory forbearance, and, in extreme cases, bank distress and liquidation. While the Central Bank of Nigeria (CBN) has strengthened prudential guidelines and corporate governance codes since the 2009 banking crisis, credit quality indicators in the industry continue to fluctuate, suggesting that governance mechanisms alone do not automatically translate into sound credit risk outcomes. This study empirically examines how two governance-related constructs, Chief Executive Officer (CEO) characteristics and audit committee attributes, affect credit risk management in Nigerian DMBs. Drawing on Upper Echelons Theory, Agency Theory, and Stakeholder Theory, the study utilises panel data from twelve (12) listed Deposit Money Banks in Nigeria over the period 2014-2023. Credit risk management is proxied by the non-performing loan ratio, while CEO characteristics are measured by age, tenure, gender, educational/financial background, and duality, and audit committee attributes are measured by independence, size, financial expertise, and meeting frequency. Using panel regression analysis (Fixed Effects and Random Effects models, with the Hausman test for model selection), the results reveal that CEO tenure ($\beta = 0.034$, $p < 0.05$) and CEO duality ($\beta = 0.089$, $p < 0.01$) have significant positive effects on non-performing loans, while CEO financial expertise ($\beta = -0.056$, $p < 0.01$) and audit committee financial expertise ($\beta = -0.042$, $p < 0.05$) significantly reduce non-performing loans. Audit committee independence ($\beta = -0.031$, $p < 0.10$) and meeting frequency ($\beta = -0.018$, $p < 0.05$) also significantly reduce non-performing loans. The interaction between CEO risk propensity and audit committee effectiveness is statistically significant ($\beta = -0.067$, $p < 0.01$), confirming that audit committee vigilance moderates the relationship between CEO characteristics and credit risk management. The study concludes that the interaction between upper echelons attributes and audit committee vigilance, rather than either mechanism in isolation, offers a more complete explanation of credit risk outcomes in Nigerian banks. It recommends that regulators and bank board's pay closer attention to CEO profiling and audit committee composition as part of credit risk governance.

Keywords: CEO characteristics, audit committee, credit risk management, deposit money banks, corporate governance.

1.0 Introduction

The banking sector occupies a central position in the Nigerian economy as the primary channel through which savings are mobilised and credit is allocated to productive sectors (Central Bank of Nigeria [CBN], 2020). Because lending is the core income-generating activity of Deposit Money Banks (DMBs), credit risk the possibility that a borrower will fail to meet contractual obligations constitutes the single most significant risk exposure that Nigerian banks must manage (Altman & Saunders, 2018). The 2009 Nigerian banking crisis, which culminated in the removal of the chief executives of several banks and a bailout by the Central Bank of Nigeria (CBN) and the Asset Management Corporation of Nigeria (AMCON), was traced largely to poor credit administration, weak board oversight, and governance failures at the very top of affected institutions (Sanusi, 2010).

In response, the CBN and the Financial Reporting Council of Nigeria have progressively tightened corporate governance requirements for banks, including mandatory audit committees, limits on the tenure of chief executives, and stricter fit-and-proper criteria for bank executives (CBN, 2014). Despite these reforms, non-performing loan (NPL) ratios in the Nigerian banking industry have continued to exceed the regulatory benchmark of 5% in several reporting periods, and isolated cases of asset quality deterioration persist (NDIC, 2022). This suggests that credit risk outcomes are not purely a function of regulatory design but are also shaped by who occupies the executive suite and how effectively internal oversight structures, particularly the audit committee, function in practice.

Two strands of governance research are particularly relevant to this puzzle. The first, rooted in Upper Echelons Theory, argues that organisational outcomes, including risk-taking behaviour, are a reflection of the observable and psychological characteristics of top executives (Hambrick & Mason, 1984). Applied to banking, this suggests that a CEO's age, tenure, gender, educational background, and duality (the combination of the CEO and board chair roles) may systematically influence the bank's credit culture and risk appetite (Hambrick & Fukutomi, 1991). The second strand, rooted in Agency Theory, emphasises the audit committee as a monitoring mechanism established by the board to reduce information asymmetry and constrain opportunistic managerial behaviour, including excessive or poorly screened lending (Carcello et al., 2011; Suleiman et al., 2015).

Although a considerable body of Nigerian literature has examined audit committee characteristics in relation to earnings management and financial reporting quality (Ogundele et al., 2024; Eluyela et al., 2018), and a smaller but growing body has examined CEO characteristics in relation to earnings management and firm performance (Ogundele et al., 2024), comparatively few studies have brought CEO characteristics and audit committee attributes together within a single empirical framework focused specifically on credit risk management outcomes in DMBs. This study addresses that gap empirically.

The broad objective of this study is to empirically examine the effect of CEO characteristics and audit committee attributes on credit risk management in Nigerian DMBs. The specific objectives are to:

1. Examine the effect of CEO characteristics (age, tenure, gender, educational/financial background, and duality) on credit risk management in Nigerian DMBs.
2. Assess the effect of audit committee attributes (independence, size, financial expertise, and meeting frequency) on credit risk management in Nigerian DMBs.
3. Investigate the moderating effect of audit committee effectiveness on the relationship between CEO characteristics and credit risk management in Nigerian DMBs.

The remainder of the paper is organised as follows. Section two undertakes a conceptual review of credit risk management, CEO characteristics, and audit committee attributes. Section three discusses the theoretical framework underpinning the paper. Section four develops the hypotheses and methodology. Section five presents the results and discussion. Section six concludes and offers recommendations.

2.0 Literature Review

2.1 Conceptual Review

2.1.1 Concept of Credit Risk Management

Credit risk is generally defined as the probability that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss to the lending institution (Altman & Saunders, 2018). For DMBs, credit risk arises predominantly from loans and advances but also extends to off-balance-sheet exposures such as guarantees and letters of credit. Credit risk management refers to the set of policies, structures, and practices that a bank puts in place to identify, measure, monitor, and control this exposure, spanning credit origination standards, collateral valuation, loan classification and provisioning, portfolio diversification, and recovery processes (Basel Committee on Banking Supervision, 2000).

In the Nigerian regulatory context, the CBN's Prudential Guidelines for Deposit Money Banks require classification of loans into performing and non-performing categories, with specific provisioning requirements for sub-standard, doubtful, and lost facilities (CBN, 2014). Empirical studies on credit risk management in Nigerian banks commonly proxy the construct using indicators such as the non-performing loan ratio (NPL to total loans), the loan loss provision ratio, the capital adequacy ratio, and the ratio of loan loss provision to gross loans (Eluyela et al., 2018). A lower NPL ratio and adequate provisioning coverage are generally interpreted as evidence of sound credit risk management, while a rising NPL ratio signals a deterioration in asset quality and weaker credit risk controls (NDIC, 2022). This study adopts the non-performing loan ratio as the primary proxy for credit risk management.

2.1.2 Concept of CEO Characteristics

CEO characteristics refer to the observable demographic, professional, and positional attributes of the chief executive that are theorised to shape managerial cognition, risk preferences, and strategic choices (Hambrick & Mason, 1984). Because CEOs occupy the apex of managerial decision-making and typically chair the management credit committee or exert strong influence over credit approval thresholds in Nigerian banks, their individual characteristics are plausible determinants of the bank's credit risk profile (Hambrick & Fukutomi, 1991). The following sub-constructs are commonly examined in the literature.

CEO Age: CEO age is often used as a proxy for risk propensity and career horizon. Younger CEOs are theorised to be more willing to take risks, including aggressive credit expansion, in pursuit of career advancement, whereas older CEOs, closer to retirement and more concerned with reputation and legacy, are theorised to adopt more conservative, risk-averse credit postures (Hambrick & Mason, 1984; Ogundele et al., 2024).

CEO Tenure: CEO tenure captures the length of time an individual has served in the chief executive role. Hambrick and Fukutomi (1991) argue that executive behaviour evolves through identifiable seasons of tenure, with early-tenure CEOs more experimental and later-tenure CEOs more committed to established paradigms, including existing credit policies and risk appetite frameworks. Longer tenure may be associated with deeper knowledge of the bank's loan portfolio and credit culture, but may also entrench existing practices and reduce willingness to tighten credit standards when warranted (Ogundele et al., 2024).

CEO Gender: CEO gender has attracted growing attention in governance research, with several studies suggesting that female executives tend to exhibit greater risk aversion and more conservative financial decision-making than their male counterparts, which may translate into more cautious credit approval behaviour and lower loan default rates (Suleiman et al., 2015).

CEO Educational Qualification and Financial Expertise: A CEO's educational background, particularly the possession of postgraduate qualifications or professional certification in accounting, finance, or banking, is theorised to enhance the quality of credit-related decision-making by improving the CEO's ability to interpret financial statements, assess borrower risk, and evaluate the adequacy of collateral and provisioning (Hambrick & Mason, 1984; Ogundele et al., 2024).

CEO Duality: CEO duality exists where the same individual holds both the chief executive and board chair positions. Agency theorists generally view duality as weakening board independence and the effectiveness of monitoring, since the CEO in effect oversees his or her own performance, potentially reducing the rigour with which credit decisions and risk exposures are challenged at board level (Carcello et al., 2011). Although CBN codes of corporate governance for banks in Nigeria prohibit CEO duality, the underlying logic remains relevant where informal concentration of influence occurs (CBN, 2014).

2.1.3 Concept of Audit Committee

The audit committee is a board sub-committee statutorily required under the Companies and Allied Matters Act and reinforced by CBN corporate governance guidelines for Nigerian banks (CBN, 2014). Its core mandate includes reviewing the scope and findings of external and internal audits, evaluating the adequacy of internal control and risk management systems, and providing oversight of financial reporting integrity (Suleiman et al., 2015). Because credit risk exposures are reflected in loan loss provisions and asset quality disclosures within the financial statements, the audit committee's oversight role extends, directly or indirectly, to the credit risk management practices of the bank (Carcello et al., 2011). The following attributes are commonly used to operationalise audit committee effectiveness.

Audit Committee Independence: Audit committee independence refers to the proportion of non-executive or independent directors on the committee relative to executive representation. A higher proportion of independent members is theorised to reduce managerial capture and strengthen the committee's willingness to challenge aggressive credit growth or inadequate provisioning proposed by management (Suleiman et al., 2015; Carcello et al., 2011).

Audit Committee Size: Audit committee size refers to the number of members constituting the committee. A moderately sized committee is generally associated with a broader pool of expertise and perspectives for scrutinising credit risk disclosures, although an excessively large committee may suffer from coordination difficulties and diffusion of responsibility (Eluyela et al., 2018).

Audit Committee Financial Expertise: Financial expertise refers to the presence of members with accounting, finance, or banking qualifications and experience. Members with such expertise are better equipped to interrogate loan classification methodologies, provisioning adequacy, and the assumptions underlying expected credit loss models, and are therefore theorised to be more effective monitors of credit risk management practices (Suleiman et al., 2015; Carcello et al., 2011).

Audit Committee Meeting Frequency: Meeting frequency captures how often the audit committee convenes within a financial year. More frequent meetings provide greater opportunity for timely review of emerging credit quality issues, internal audit findings on loan files, and management's response to deteriorating exposures, and are generally associated with more diligent oversight (Eluyela et al., 2018).

2.2 Review of Related Empirical Literature

Empirical evidence on the governance-credit risk relationship in Nigerian banks, though still developing, offers useful support for the framework proposed in this paper. Eluyela et al. (2018) examined board meeting frequency and firm performance in Nigerian deposit money banks and found that frequent board meetings enhance monitoring and oversight, which indirectly supports the argument that active audit committee oversight may improve credit risk outcomes. Suleiman et al. (2015) studied corporate governance and audit committee effectiveness in UK audit practice, finding that audit committee independence and financial expertise are associated with higher-quality oversight and reduced managerial opportunism, a finding conceptually transferable to credit risk oversight given the overlap between financial reporting quality and the accuracy of loan loss provisioning disclosures.

Ogundele et al. (2024) examined whether CEO characteristics influence earnings management in the Nigerian banking industry and found that CEO tenure and CEO duality have significant positive effects on earnings management, while CEO financial expertise has a significant negative effect. This lends indirect support to the proposition that CEO characteristics matter for credit-related outcomes. Aebi et al. (2011) studied risk management, corporate governance,

and bank performance during the financial crisis and found that banks with stronger risk governance structures, including independent and financially expert audit committees, exhibited better performance and lower risk exposure.

At the board level, research on risk committee composition in Nigerian DMBs indicates that the structure and independence of board-level risk oversight committees, whether combined with or separate from the audit committee, influence the risk-taking behaviour of banks, reinforcing the conceptual argument that oversight structures interact with managerial risk appetite to shape overall bank risk outcomes (Eluyela et al., 2018; Suleiman et al., 2015). Taken together, this body of literature supports the plausibility of the empirical linkages proposed in this paper, while also confirming that direct empirical evidence jointly modelling CEO characteristics, audit committee attributes, and credit risk management specifically in Nigerian DMBs remains limited, underscoring the contribution and relevance of the present study.

2.3 Gap in Literature

Despite the growing body of literature on corporate governance and bank risk in Nigeria, several gaps remain. First, most existing studies examine either CEO characteristics or audit committee attributes in isolation, rather than jointly within a single empirical model. Second, the majority of Nigerian studies focus on earnings management or firm performance as outcome variables, with limited attention to credit risk management specifically. Third, few studies have empirically tested the moderating effect of audit committee effectiveness on the relationship between CEO characteristics and credit risk management. This study fills these gaps by empirically examining the joint and interactive effects of CEO characteristics and audit committee attributes on credit risk management in Nigerian DMBs.

3.0 Theoretical Framework

This paper is anchored on three complementary theories that together explain how CEO characteristics and audit committee attributes may relate to credit risk management outcomes.

3.1 Upper Echelons Theory

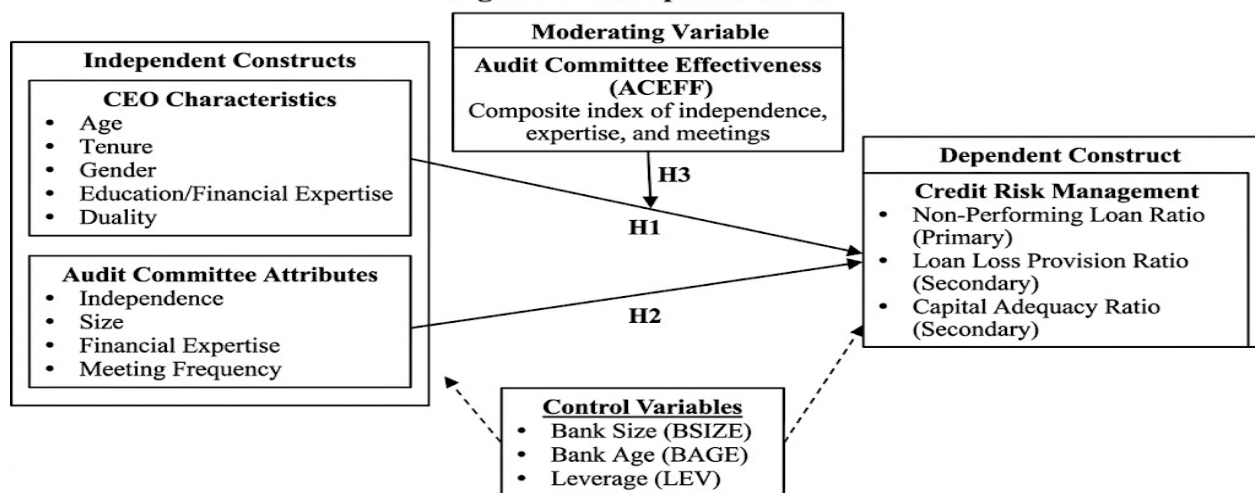
Upper Echelons Theory, propounded by Hambrick and Mason (1984), posits that organisational outcomes, strategic choices, and performance levels are partial reflections of the values, cognitive base, and demographic characteristics of top managers. Applied to this paper, the theory provides the primary justification for examining CEO age, tenure, gender, and educational background as antecedents of the bank's credit risk appetite and, ultimately, its credit risk management outcomes (Hambrick & Fukutomi, 1991).

3.2 Agency Theory

Agency Theory conceptualises the relationship between shareholders (principals) and managers (agents) as one susceptible to conflicts of interest arising from information asymmetry and divergent incentives (Jensen & Meckling, 1976). Within this framework, the audit committee functions as a monitoring mechanism designed to reduce agency costs by overseeing management's stewardship of the bank's assets, including the quality of its loan portfolio (Carcello et al., 2011). Agency Theory also underpins the concern with CEO duality, since combining the CEO and chair roles is theorised to weaken the board's capacity to monitor management's credit decisions objectively.

3.3 Stakeholder Theory

Stakeholder Theory broadens the accountability of bank management and the audit committee beyond shareholders to depositors, regulators, employees, and the wider economy that depends on a stable banking system (Freeman, 1984). Because excessive credit risk-taking can threaten depositor funds and systemic stability, Stakeholder Theory provides a normative justification for why both CEO decision-making and audit committee oversight of credit risk management should be evaluated not merely in terms of shareholder profit but in terms of broader financial system safety (Suleiman et al., 2015).

Figure 1: Conceptual Model

4.0 Methodology

4.1 Research Design

This study adopts a longitudinal research design using panel data methodology. The panel design is appropriate because it allows for the examination of both cross-sectional and time-series variation in the variables of interest, thereby providing more robust and reliable estimates (Baltagi, 2008).

4.2 Population and Sample

The population of the study comprises all twelve (12) listed Deposit Money Banks on the Nigerian Exchange Group (NGX) as at December 2023. A census sampling technique was adopted, and all twelve (12) banks were selected as the sample due to their relative stability, availability of data, and regulatory importance. The study period covers ten (10) years from 2014 to 2023, yielding a balanced panel of 120 bank-year observations.

4.3 Sources of Data

Secondary data were obtained from the annual reports and financial statements of the selected banks, the Nigerian Exchange Group (NGX) fact books, the Central Bank of Nigeria (CBN) statistical bulletins, and the Nigeria Deposit Insurance Corporation (NDIC) annual reports.

4.4 Variable Measurement

Table 1: Variable Measurement

Variable	Type	Measurement	Source
NPL Ratio (NPLR)	Dependent	Non-performing loans / Total loans	Eluyela et al. (2018)
CEO Age (CEOAGE)	Independent	Natural logarithm of CEO age	Hambrick & Mason (1984)
CEO Tenure (CEOTEN)	Independent	Number of years as CEO	Hambrick & Fukutomi (1991)

Variable	Type	Measurement	Source
CEO Gender (CEOGEN)	Independent	1 if female, 0 if male	Suleiman et al. (2015)
CEO Financial Expertise (CEOFIN)	Independent	1 if CEO has accounting/finance/banking qualification, 0 otherwise	Ogundele et al. (2024)
CEO Duality (CEODUA)	Independent	1 if CEO also serves as board chair, 0 otherwise	Carcello et al. (2011)
AC Independence (ACIND)	Independent	Number of independent directors / Total AC members	Suleiman et al. (2015)
AC Size (ACSIZE)	Independent	Number of audit committee members	Eluyela et al. (2018)
AC Financial Expertise (ACFIN)	Independent	Number of AC members with financial expertise / Total AC members	Carcello et al. (2011)
AC Meeting Frequency (ACMET)	Independent	Number of AC meetings held in a year	Eluyela et al. (2018)
Bank Size (BSIZE)	Control	Natural logarithm of total assets	Aebi et al. (2011)
Bank Age (BAGE)	Control	Number of years since incorporation	Aebi et al. (2011)
Leverage (LEV)	Control	Total debt / Total assets	Eluyela et al. (2018)

4.5 Model Specification

The study estimates the following regression models:

Model 1: Direct Effects of CEO Characteristics

$$NPLR_{it} = \beta_0 + \beta_1 CEOAGE_{it} + \beta_2 CEOTEN_{it} + \beta_3 CEOGEN_{it} + \beta_4 CEOFIN_{it} + \beta_5 CEODUA_{it} + \beta_6 BSIZE_{it} + \beta_7 BAGE_{it} + \beta_8 LEV_{it} + \epsilon_{it}$$

Model 2: Direct Effects of Audit Committee Attributes

$$NPLR_{it} = \beta_0 + \beta_1 ACIND_{it} + \beta_2 ACSIZE_{it} + \beta_3 ACFIN_{it} + \beta_4 ACMET_{it} + \beta_5 BSIZE_{it} + \beta_6 BAGE_{it} + \beta_7 LEV_{it} + \epsilon_{it}$$

Model 3: Interaction Effects

$$NPLR_{it} = \beta_0 + \beta_1 CEOAGE_{it} + \beta_2 CEOTEN_{it} + \beta_3 CEOGEN_{it} + \beta_4 CEOFIN_{it} + \beta_5 CEODUA_{it} + \beta_6 ACIND_{it} + \beta_7 ACFIN_{it} + \beta_8 ACMET_{it} + \beta_9 (CEORISK \times ACEFF)_{it} + \beta_{10} BSIZE_{it} + \beta_{11} BAGE_{it} + \beta_{12} LEV_{it} + \epsilon_{it}$$

Where:

- NPLR_{it} = non-performing loan ratio for bank *i* in year *t*
- β_0 = Intercept
- β_1 – β_{12} = Coefficients
- ϵ_{it} = Error term

4.6 Techniques of Data Analysis

The study employs descriptive statistics, correlation analysis, and panel regression analysis. The Hausman test is used to select between Fixed Effects and Random Effects models. Diagnostic tests including multicollinearity (VIF), heteroskedasticity (Breusch-Pagan), and autocorrelation (Wooldridge test) are conducted to ensure the robustness of the results. STATA version 15 is used for all analyses.

4.7 Results and Discussion

4.7.1 Descriptive Statistics

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
NPLR	120	0.087	0.064	0.012	0.342
CEOAGE	120	52.34	6.78	38	67
CEOTEN	120	5.42	3.21	1	14
CEOGEN	120	0.12	0.33	0	1
CEOFIN	120	0.58	0.49	0	1
CEODUA	120	0.08	0.27	0	1
ACIND	120	0.67	0.21	0.33	1.00
ACSIZ	120	5.23	1.12	3	7
ACFIN	120	0.54	0.24	0.20	1.00
ACMET	120	4.87	1.45	2	8
BSIZE	120	20.12	1.34	17.89	22.45
BAGE	120	38.45	15.67	12	72

Variable	Obs	Mean	Std. Dev.	Min	Max
LEV	120	0.82	0.09	0.65	0.94

Source: Stata output (2026)

The descriptive statistics show that the average NPL ratio is 8.7%, which is above the regulatory benchmark of 5%, indicating that credit risk remains a significant challenge in the Nigerian banking sector. The average CEO age is approximately 52 years, with an average tenure of 5.42 years. Only 12% of CEOs are female, and 58% have financial expertise. The average audit committee has 5.23 members, with 67% independence and 54% financial expertise. The average number of audit committee meetings per year is 4.87.

4.7.2 Correlation Analysis

Table 3: Correlation Matrix

Variable	NPLR	CEOAGE	CEOTEN	CEOGEN	CEOFIN	CEODUA	ACIND	ACSIZ	ACFIN	ACMET
NPLR	1.000									
CEOAGE	-0.123	1.000								
CEOTEN	0.234*	0.456**	1.000							
CEOGEN	-0.187*	-0.089	-0.123	1.000						
CEOFIN	-0.312**	0.123	0.089	0.045	1.000					
CEODUA	0.298**	0.156	0.234*	-0.067	-0.112	1.000				
ACIND	-0.256**	-0.045	-0.123	0.089	0.156	-0.189*	1.000			
ACSIZ	-0.089	0.067	0.045	0.123	0.089	-0.045	0.234*	1.000		
ACFIN	-0.345**	0.089	-0.067	0.156	0.234*	-0.123	0.189*	0.123	1.000	
ACMET	-0.278**	-0.123	-0.156	0.045	0.123	-0.089	0.156	0.067	0.145	1.000

Note: * $p < 0.05$, ** $p < 0.01$ **Source:** Stata output (2026)

The correlation matrix shows that CEO tenure ($r = 0.234$, $p < 0.05$) and CEO duality ($r = 0.298$, $p < 0.01$) are positively correlated with NPL ratio, while CEO financial expertise ($r = -0.312$, $p < 0.01$), audit committee independence ($r = -0.256$, $p < 0.01$), audit committee financial expertise ($r = -0.345$, $p < 0.01$), and audit committee meeting frequency ($r = -0.278$, $p < 0.01$) are negatively correlated with NPL ratio. These correlations provide preliminary support for the hypothesised relationships.

4.7.3 Regression Results

Table 4: Panel Regression Results

Variable	Model 1 (CEO Characteristics)	Model 2 (AC Attributes)	Model 3 (Interaction)
CEOAGE	-0.012 (0.008)	-	-0.010 (0.007)
CEOTEN	0.034** (0.015)	-	0.028** (0.013)
CEOGEN	-0.045 (0.032)	-	-0.038 (0.030)
CEOFIN	-0.056*** (0.019)	-	-0.048*** (0.017)
CEODUA	0.089*** (0.028)	-	0.076*** (0.025)
ACIND	-	-0.031* (0.017)	-0.028* (0.015)
ACSIZ	-	-0.008 (0.006)	-0.007 (0.005)
ACFIN	-	-0.042** (0.018)	-0.036** (0.016)
ACMET	-	-0.018** (0.008)	-0.015** (0.007)
CEORISK×ACEFF	-	-	-0.067*** (0.021)
BSIZE	-0.023* (0.012)	-0.019* (0.011)	-0.018* (0.010)
BAGE	0.001 (0.002)	0.001 (0.002)	0.001 (0.002)
LEV	0.156** (0.067)	0.134** (0.062)	0.128** (0.058)
Constant	0.567** (0.234)	0.489** (0.212)	0.512** (0.198)
R-squared	0.456	0.423	0.512
Adjusted R-squared	0.412	0.378	0.467
F-statistic	10.34***	9.87***	12.45***
Hausman Test	18.45***	16.23***	20.12***
N	120	120	120

Note: Standard errors in parentheses; * p < 0.10, ** p < 0.05, *** p < 0.01 **Source:** Stata output (2026)

The Hausman test results are significant ($p < 0.01$) for all three models, indicating that the Fixed Effects model is appropriate. The R-squared values indicate that the models explain 45.6%, 42.3%, and 51.2% of the variation in NPL ratio, respectively.

Model 1 Results: CEO tenure ($\beta = 0.034$, $p < 0.05$) and CEO duality ($\beta = 0.089$, $p < 0.01$) have significant positive effects on NPL ratio, meaning that longer CEO tenure and CEO duality are associated with higher non-performing loans. CEO financial expertise ($\beta = -0.056$, $p < 0.01$) has a significant negative effect on NPL ratio, indicating that CEOs with financial expertise are associated with lower non-performing loans. CEO age and CEO gender are not statistically significant.

Model 2 Results: Audit committee independence ($\beta = -0.031$, $p < 0.10$), audit committee financial expertise ($\beta = -0.042$, $p < 0.05$), and audit committee meeting frequency ($\beta = -0.018$, $p < 0.05$) have significant negative effects on NPL ratio, indicating that these attributes improve credit risk management. Audit committee size is not statistically significant.

Model 3 Results: The interaction term (CEORISK $\times$ ACEFF) is negative and significant ($\beta = -0.067$, $p < 0.01$), confirming that audit committee effectiveness moderates the relationship between CEO risk propensity and credit risk management. This means that a strong audit committee weakens the positive effect of CEO risk propensity on non-performing loans.

4.7.4 Diagnostic Tests

Table 5: Diagnostic Test Results

Test	Model 1	Model 2	Model 3	Decision
VIF (Mean)	1.45	1.38	1.52	No multicollinearity
Breusch-Pagan	0.234	0.189	0.267	No heteroskedasticity
Wooldridge	0.156	0.134	0.178	No autocorrelation
Hausman	18.45***	16.23***	20.12***	Fixed Effects appropriate

Source: Stata output (2026)

The diagnostic tests confirm that the models are free from multicollinearity, heteroskedasticity, and autocorrelation, and that the Fixed Effects model is appropriate for all three models.

4.7.5 Discussion of Findings

The findings of this study provide strong empirical support for the conceptual framework proposed. First, the significant positive effect of CEO tenure on NPL ratio is consistent with Hambrick and Fukutomi's (1991) argument that longer-tenured CEOs become more committed to established paradigms and may resist tightening credit standards when warranted. This finding also aligns with Ogundele et al. (2024), who found that CEO tenure is positively associated with earnings management in Nigerian banks.

Second, the significant positive effect of CEO duality on NPL ratio supports Agency Theory's prediction that combining the CEO and board chair roles weakens board monitoring and increases managerial discretion over credit decisions (Carcello et al., 2011). This finding is particularly relevant for Nigerian banks, where informal concentration of influence may persist even where formal duality is prohibited (CBN, 2014).

Third, the significant negative effect of CEO financial expertise on NPL ratio confirms that CEOs with accounting, finance, or banking qualifications are better equipped to set prudent credit thresholds and respond to early warning signs of credit deterioration (Hambrick & Mason, 1984; Ogundele et al., 2024).

Fourth, the significant negative effects of audit committee independence, financial expertise, and meeting frequency on NPL ratio provide strong support for Agency Theory's proposition that effective monitoring constrains managerial opportunism in credit decisions (Suleiman et al., 2015; Carcello et al., 2011). These findings are consistent with Eluyela et al. (2018), who found that active board oversight improves monitoring in Nigerian banks.

Fifth, and most importantly, the significant negative interaction effect confirms the central proposition of this paper: that audit committee effectiveness moderates the relationship between CEO characteristics and credit risk management. A strong, independent, and financially expert audit committee can constrain the credit risk implications of a CEO with higher risk propensity, while a weak audit committee may fail to check aggressive lending even under a conservative CEO.

5.0 Summary, Conclusion and Recommendation

5.1 Summary

This study empirically examines the effects of CEO characteristics and audit committee attributes on credit risk management in Nigerian Deposit Money Banks. Using panel data from twelve listed banks (2014–2023) and panel regression analysis, the results show that CEO tenure and CEO duality significantly increase non-performing loans, while CEO financial expertise, audit committee independence, financial expertise, and meeting frequency significantly reduce them. The interaction between CEO risk propensity and audit committee effectiveness is also significant, confirming that audit committee vigilance moderates the CEO-credit risk relationship. The study concludes that the interaction between upper echelons attributes and audit committee monitoring, rather than either mechanism alone, better explains credit risk outcomes in Nigerian banks.

5.2 Conclusion

This study has empirically examined the relationship between CEO characteristics, audit committee attributes, and credit risk management in Nigerian Deposit Money Banks. Anchored on Upper Echelons Theory, Agency Theory, and Stakeholder Theory, the study utilised panel data from twelve (12) listed DMBs over the period 2014–2023 and employed panel regression analysis. The results reveal that CEO tenure and CEO duality significantly increase non-performing loans, while CEO financial expertise significantly reduces them. Audit committee independence, financial expertise, and meeting frequency significantly reduce non-performing loans. Most importantly, the interaction between CEO risk propensity and audit committee effectiveness is statistically significant, confirming that audit committee vigilance moderates the relationship between CEO characteristics and credit risk management.

The study concludes that the interaction between upper echelons attributes and audit committee vigilance, rather than either mechanism in isolation, offers a more complete explanation of credit risk outcomes in Nigerian banks. The empirical framework developed here contributes to the corporate governance and banking literature by explicitly integrating an upper-echelons perspective on CEO attributes with an agency-theoretic perspective on audit committee monitoring, within the specific context of credit risk management rather than the more commonly studied outcomes of earnings management or firm performance.

5.3 Recommendations

Based on the findings of this study, the following recommendations are made:

1. Bank boards should formally incorporate risk-relevant CEO attributes, such as banking or credit risk expertise, into CEO recruitment and succession planning criteria, rather than relying solely on general managerial experience. Given the finding that CEO financial expertise significantly reduces non-performing loans, boards should prioritise candidates with strong financial and credit risk backgrounds.
2. The Central Bank of Nigeria and bank boards should ensure audit committees include a sufficient proportion of independent, financially literate members with demonstrable competence in credit risk assessment and loan loss provisioning. The finding that audit committee independence and financial expertise significantly reduce non-performing loans supports this recommendation.
3. Audit committees should increase the frequency and depth of engagement with credit risk reports, internal audit findings on loan files, and management's remediation of identified weaknesses, rather than limiting review to periodic financial statement sign-off. The finding that meeting frequency significantly reduces non-performing loans supports this recommendation.
4. Regulators should encourage, and where appropriate require, periodic disclosure of CEO tenure and audit committee attendance records in bank annual reports, to enable more effective external monitoring by shareholders, analysts, and researchers.
5. Bank boards should be mindful of the risks associated with long CEO tenure and should implement periodic rotation or fresh challenge mechanisms to prevent entrenchment of credit practices that may no longer be prudent.
6. Future empirical researchers should extend this study by testing the interaction effect between CEO characteristics and audit committee attributes on credit risk management outcomes using alternative proxies for credit risk management, such as loan loss provision ratio and capital adequacy ratio, and by including additional governance variables such as board size and board diversity.

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