

EFFECT OF CHIEF EXECUTIVE OFFICER CHARACTERISTICS ON FINANCIAL DISTRESS OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study examines the effect of chief executive officer (CEO) characteristics on financial distress among listed deposit money banks in Nigeria. The study was anchored on human capital theory, upper echelons theory, and feminist theory. A correlational research design was adopted within the positivist paradigm. The population comprised 14 deposit money banks listed on the Nigerian Exchange Group as at 31 December 2024, from which 13 banks were selected using the census sampling technique after excluding Union Bank Plc due to delisting. The study covered 2008–2024 and utilised 208 bank-year observations obtained from annual reports and accounts based on unbalanced data. Data were analysed using Stata 17, employing descriptive statistics, Pearson correlation, variance inflation factor (VIF), link test, groupwise hetroskedasticity and Panel-Corrected Standard Errors (PCSE) regression. The findings reveal that CEO tenure has a significant positive effect on financial distress, suggesting that prolonged CEO tenure may increase managerial entrenchment and financial vulnerability. CEO female gender has a significant negative effect on financial distress, indicating that female-led banks tend to experience lower financial distress. Similarly, CEO founder status has a significant negative effect on financial distress, supporting the view that founder-specific knowledge and commitment may enhance financial stability. The study concludes that CEO characteristics significantly influence financial distress and recommends effective CEO succession planning, inclusive executive appointments, strengthened board oversight, and robust governance mechanisms to promote financial stability among listed deposit money banks in Nigeria.

Keywords: chief executive officer characteristics, financial distress, listed deposit money banks, Nigeria

1. Introduction

Deposit money banks play a strategic role in the economic growth and development of any nation through their financial intermediation function, which enhances productivity (Mohammed et al., 2024; Akani & Kingsley, 2021). This critical intermediation role necessitates active oversight by government and regulatory authorities to ensure the stability and efficient operation of the financial system (Zahra et al., 2018). Consequently, regulatory agencies have continued to implement measures aimed at safeguarding the system against instability. Nevertheless, despite these regulatory interventions, deposit money banks have continued to experience financial distress, accompanied by challenges



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such as the erosion of public confidence and significant losses of shareholders' funds (Sunday & Innocent, 2021).

Every company is established with the primary objective of generating profits and sustaining its operations as a going concern (Hsin, 2018). However, these objectives are not always realized. In some cases, even long-standing firms are compelled to cease operations or undergo liquidation due to financial difficulties. When a company earns profits, it is better positioned to sustain growth, maintain its going-concern status, pursue long-term development, and avoid liquidation resulting from poor financial management.

Financial growth serves as an important indicator of a company's success in generating profits and assessing its potential for future expansion (Damayanti et al., 2019). It provides a measurable basis for evaluating overall performance and sustainability. Moreover, financial growth is valuable to investors in making informed investment decisions, as financial reports offer critical insights into the company's financial health and prospects (Chancharat, 2018).

Financial distress is a broad concept encompassing various situations in which a firm experiences financial difficulties. It commonly manifests in an inability to generate sufficient profits and may culminate in outcomes such as insolvency, bankruptcy, or business failure (Gottardo & Moisello, 2017). Ikpesu (2019) describes financial distress as a challenging financial condition that affects a firm under uncertain circumstances. Similarly, Yousaf et al. (2021) associate financial distress with situations in which a firm breaches its contractual obligations to creditors or struggles to meet them.

Financial distress is a widespread phenomenon that has attracted significant attention globally due to its direct and indirect economic costs (Kazemian et al., 2017; Li et al., 2020). Betz et al. (2014) note that much of the existing literature concentrates on identifying patterns linked to financial distress. Accordingly, a central focus of the extensive and continuing research in this area is the development of predictive models capable of detecting early warning signals (Charalambakis & Garrett, 2019; Ghandi et al., 2019; Sun et al., 2014). Firms that fail to recognize these warning signs and implement timely corrective measures are more likely to face bankruptcy, which is widely regarded as the most severe consequence of financial distress (Geng et al., 2015).

An international study based on 12,836 firm-year observations of G7-listed firms between 2006 and 2021 reports a significant positive association between CEO characteristics and firm vulnerability during the 2007 financial crisis. However, this relationship was weaker during the COVID-19 crisis, implying that certain CEO traits tend to encourage greater risk-taking in relatively stable or more familiar crisis environments (Aldawsari et al., 2025). The failure of Lehman Brothers in September 2008—attributed to aggressive risk-taking under the leadership of Richard Fuld—resulted in catastrophic shareholder losses of approximately 93%, effectively eroding shareholder equity (Valukas, 2010).

Similarly, evidence from U.S. banks covering the period 1994–2009, which includes the Russian crisis and the 2007–2009 global financial crisis, indicates that banks led by overconfident CEOs tended to weaken lending standards, increase leverage, and become more susceptible to shocks, experiencing higher default rates and sharper performance declines during crises (Ho et al., 2016). Sound deposit money banks are vital



for the effective transmission of monetary policy and the smooth operation of the payment system (Akani & Kingsley, 2021).

Financial distress within such institutions often stems from a combination of internal and external factors. Internal weaknesses including poor asset quality, ineffective corporate governance, rapid credit expansion, and inadequate managerial practices can compromise institutional stability. Prolonged low profitability further undermines financial resilience. Such distress not only disrupts the financial sector's intermediation function but also constrains overall economic activity (Rosa & Gartner, 2018). These challenges may be exacerbated by certain CEO characteristics, such as excessive risk-taking, insufficient expertise, or ineffective leadership.

Chief executive officers (CEOs) are pivotal to organisational success because they make strategic decisions that significantly influence a firm's financial stability and long-term viability (Garcia-Blandon et al., 2019). Consequently, growing scholarly attention has focused on how CEO attributes affect the likelihood of financial distress (Diks, 2016; Liu & Zhang, 2018). The significance of CEO characteristics lies in their substantial impact on corporate survival and performance (Bandiera et al., 2020). As executive leaders, CEOs drive growth initiatives and respond to organisational challenges, making their effectiveness central to overall firm outcomes (Ason et al., 2021). The global financial crisis further intensified scrutiny of corporate governance practices, underscoring that top management bears ultimate responsibility for strategic decisions shaping organisational trajectories.

The CEO is responsible for formulating organisational plans, goals, structures, and performance standards (Korablev, 2022). In this capacity, the CEO provides the overarching vision and framework that guide the organisation (Ojeka et al., 2017). Owing to their hierarchical authority and commitment, CEOs are often the most influential figures within the corporate elite (Pastorelli, 2014). Their commitment may reflect a moral obligation and identification with organisational objectives, reinforcing sustained engagement in strategic direction and activities (Herri et al., 2017). Ultimately, the CEO determines, maintains, and advances the organisation's strategic path while coordinating key functions, managing reputational risk, monitoring external threats, and steering the firm during periods of pressure (Lawrence et al., 2021; Yahaya, 2022).

CEO tenure constitutes an important element of corporate governance (Bulten, 2022). Prior studies suggest that longer tenure enhances technical competence, institutional knowledge, and reputational capital (Anggraini & Gustivani, 2022; Ali & Zhang, 2015; Cheng & Leung, 2012). Extended service may also promote greater caution in earnings management and risk oversight (Hu et al., 2015) and deepen organisational commitment (Hambrick & Mason, 1984). However, other scholars argue that effectiveness may depend more on motivation and adaptability than on length of service alone (Shen & Cannella, 2002; Liandy et al., 2024). Overall, CEO tenure defined as the number of years served in the role remains a key governance attribute expected to influence financial soundness.

Gender diversity in executive leadership has also attracted attention. Female CEOs are often associated with enhanced coordination, supervision, and innovative problem-solving, potentially strengthening firm performance (Huang et al., 2024; Ye et al., 2019). Firms that promote gender diversity may also enjoy improved stakeholder perceptions (Seidu et al., 2024). Some studies suggest that women tend to exhibit more cautious risk



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attitudes and emotional stability (Salisu & Yahaya, 2024; Awen & Yahaya, 2023), although contrasting evidence argues that increased heterogeneity in top management teams may hinder communication and elevate decision-making costs, potentially constraining performance (Aifuwa et al., 2022; Torchia et al., 2018; Adams et al., 2015; Erhardt et al., 2003; Awen & Yahaya, 2024).

A founder CEO refers to an individual who both establishes (or co-establishes) a firm and serves as its chief executive officer (Abebe et al., 2020). Founder CEOs often possess strong psychological and emotional attachment to the firm and are oriented toward long-term success (Lee et al., 2017; 2019; 2020; Lange et al., 2015; Nelson, 2003). By shaping organisational culture, structure, and processes, founders leave a lasting imprint, and when they retain the CEO role beyond the start-up phase, they may continue to exert substantial influence as the firm grows (Mannor et al., 2019; Marquis & Tilcsik, 2013; Souder et al., 2012).

Entrepreneurship research largely examines founder CEOs' roles during early development stages and their impact on growth (Wasserman, 2017; Miller et al., 2011), while strategic management scholarship focuses on their influence over strategic choices and goal attainment (Abebe & Alvarado, 2013; Adams et al., 2009; Jayaraman et al., 2000). Founder CEOs typically wield greater control authority and play a decisive role in stimulating innovation through strategic decision-making and resource allocation (Elenkov & Manev, 2005; Mumford & Licuanan, 2004; Storey, 2013).

Despite the existence of the corporate governance committees there were a lot of corporate financial distresses in Nigeria in recent years. For instance, the corporate financial distress of Heritage Bank Plc in 2024 and Unity Bank Plc in 2024 respectively (Titilayo, 2022). This has brought doubt in the mind of shareholders on the credibility and reliability of financial reports presented by the listed deposit money banks in Nigeria. In line with foregoing statements, that the researcher considers it imperative, to focus on the effect of chief executive officer's characteristics on financial distress of listed deposit money banks in Nigeria.

It is of utmost importance to reveal the financial failure that took place within the period of the study in the Nigerian financial arena. Diamond bank in 2018 failed as a result of the following factors; bad leadership, ineffective risk management, lack of independence and high turnover in the board (Abdulwahab *et al.* 2023). While, Skye bank problems started after it used short-term funds to buy local lender Mainstreet bank in 2014 but failed to raise fresh cash. It had been in talks with shareholders and investors to raise capital but suspended plans after weak oil prices hit the capital markets and drove foreign investors away (Yahaya *et al.* 2022).

In view of the above, it gives the need to conduct a study and fill the existing gaps in the literature. Therefore, this study will focus on the impact of chief executive officer's characteristics (tenure, female gender, and founder) on financial distress of listed deposit money banks in Nigeria from 2008 to 2024. To find solution to the research problems, this study itemized the following questions:

- i. To what extent does the chief executive officer tenure affect financial distress of listed deposit money banks in Nigeria?
- ii. To what extent does the chief executive officer female gender affect financial distress of listed deposit money banks in Nigeria?



- iii. To what extent does the chief executive officer founder affect financial distress of listed deposit money banks in Nigeria?

Broadly, the study examined the effect of chief executive officer's characteristics on financial distress of listed deposit money banks in Nigeria. Thus, the specific objectives were to:

- i. determine the influence of chief executive officer tenure on financial distress of listed deposit money banks in Nigeria.
- ii. assess the effect of chief executive officer female gender on financial distress of listed deposit money banks in Nigeria.
- iii. ascertain the extent to which chief executive officer founder affects financial distress of listed deposit money banks in Nigeria.

In order to achieve the above-mentioned objectives and to provide empirical to the study, the following null hypotheses were formulated.

- H₀₁ Chief executive officer tenure has no significant effect on financial distress of listed deposit money banks in Nigeria.
- H₀₂ Chief executive officer female gender has no significant impact on financial distress of listed deposit money banks in Nigeria.
- H₀₃ Chief executive officer Founder has no significant influence on financial distress of listed deposit money banks in Nigeria.

2. Literature Review

Empirical Review

Chief Executive Officer Tenure and Financial Distress

It is imperative to note that scholars have attempted to examine the effect of CEO tenure on financial distress of different context with different outcomes. Hence, certain group of scholars discovered that Chief executive officer tenure has a negative and insignificant effect on financial distress. For instance, Akindayomi *et al.* (2024) investigated the relationship between Chief executive officer characteristics and the financial distress of listed firms in Nigeria from 2005 to 2022. The study employed both correlational and ex-post facto research designs. The fixed effects regression analysis showed that CEO tenure impacts a negative and insignificant relationship with financial distress. In view of the negative and insignificant result between CEO tenure and financial distress in the literature, this study conducted similar research in other to ascertain a favorable result by extending the period of study and also, to focus on the listed deposit money banks in Nigeria.

Similarly, Mohammed *et al.* (2024) examined the effect of Chief executive officer tenure on financial distress likelihood of listed deposit money banks in Nigeria for the periods of fifteen years from 2007-2021. Fourteen listed deposit money banks were considered as the population of this study and census sampling technique was used. Correlational and ex-post facto were employed as research designs. Data were extracted from annual audited financial statement of the sampled banks. Logistic regression technique was used to measure the dependent variable via multiple discriminant analysis approach of a modified Altman Z score model. The study revealed that CEO tenure has a negative and significant effect on financial distress likelihood of listed deposit money banks in Nigeria. However, the study considered listed deposit money banks in Nigeria and



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period of study covered stopped at 2021. This gave the basis for extending the period of study to 2024 in other to capture the events that occurred in the entirety of deposit money banks in Nigeria.

Tijjani and Yahaya (2024) examined the effects of CEO characteristics on firms' financial distress of listed firms on the Nigerian Exchange Group. The study employed both correlational and ex-post facto research designs. The study considered 154 publicly listed firms for the period of 10 years (2013-2022). The study found that CEO tenure in relation to financial distress documented no statistical significance. In view of the insignificant result between CEO tenure and financial distress in the literature, gives the basis to conduct a similar study in other to improve the result of the listed deposit money banks in Nigeria for the period of 2008 to 2024.

Kauji *et al.* (2023) examined the effect of chief executive officers (CEO) characteristics on the financial distress of listed fast moving consumer goods firms in Nigeria from 2013 to 2022. The study used a sample size of thirteen (13). The study engaged a secondary source of data which was obtained from the annual reports of the firms and NGX website. The results from the Driscoll-Kraay robust fixed effect regression analysis proved that CEO tenure have a positive and significant effect on the financial distress of the listed fast moving consumer goods firms in Nigeria.

Similarly, Suherman *et al.* (2023) investigated how CEO Characteristics like education, age, tenure, gender & nationality influence firms' distress in Indonesia, adopting balanced firm-level panel data for 203 nonfinancial companies listed on the Indonesia Stock exchange market between 2010-2020 and the use of panel data regression analysis. Finding of the study revealed that CEO tenure has a positive and statistically significance with the firm distress in Indonesia. However, the studies considered non-financial companies and the most recent period of study covered stopped at 2022. This gave the basis for extending the period of study to 2024 in other to capture the events that occurred in the entirety of deposit money banks in Nigeria.

Also, Mukherjee and Sen (2022) investigated the impact of CEO attributes on corporate reputation, financial distress, and corporate sustainable growth in India. The study employed panel data of 138 listed non-financial companies on National Stock Exchange (NSE) over the time-frame of (2011-2018), multiple regression was employed which found that tenure maintained significant positive association with corporate reputation. Moreover, the results demonstrate that CEO tenure appears to have a significant and positive association with corporate sustainable growth. The results are robust to various tests and suggest that in the Indian context, demographic and job-specific attributes of CEOs exert significant influence on corporate reputation, financial distress, and corporate sustainable growth. However, the studies considered non-financial companies and the period of study covered stopped at 2018. This gave the basis for extending the period of study to 2024 in other to capture the events that occurred in the Nigerian deposit money banks.

Einerskog (2022) examined how CEO characteristics and strategic choices impact or/and increase company success and growth for small businesses (SB) in the IT consultant industry in Sweden for the time frame of 2012 to 2019. The CEO characteristics that were researched are age, tenure, education, prior work experience and if the current CEO is the founder or not. The strategic choices that will be researched are investing resources, cash



holdings, different types of mergers and acquisitions and if the expertise within in the business broad or specialized. The result indicated that CEO education, prior work experience and the CEO is a founder had the most impact on company growth out of the CEO characteristics. From the strategic choices the result indicated that investing in resources and having broad expertise had the most impact on company growth.

Additionally, Bulten (2022) examined the influence of the CEO tenure and board co-option on the level of risk taking of banks in the United State of America. To test these hypotheses, the predictions were compared to a dataset consisting of data for 1060 banks for period 2000-2019. A multivariate discriminants analysis was employed to analyse the secondary data obtained. The study discovered that CEO tenure has no significant influence on risk failure amongst 1060 out of 1275 banks. The period of study covered stopped at 2019. This gave the basis for extending the period of study to 2024 in other to capture the events that occurred in the Nigerian deposit money banks.

Chief Executive Officer Female Gender and Financial Distress

The literature on corporate governance provides evidence of risk aversion among females (Salisu & Yahaya, 2024). High- risk firms are more likely to appoint female CEOs to modulate risk (Martin *et al.*, 2009). They observed significant reductions in risks when female CEOs are compared to their male CEO counterparts, reflecting the market's perception of female.

Akindayomi *et al.* (2024) investigated the relationship between CEO characteristics and the financial distress of listed firms in Nigeria (2005 – 2022). The study employed both correlational and ex-post facto research designs. The fixed effects regression analysis showed that CEO female gender impacts a negative and insignificant relationship with financial distress. Tijjani and Yahaya (2024) examined the effects of CEO characteristics on firms' financial distress of listed firms on the Nigerian Exchange Group. The study employed both correlational and ex-post facto research designs. The study considered 154 publicly listed firms for the period of 10 years (2013-2022). The study found that CEO female gender in relation to financial distress documented no statistical significance. In view of the insignificant result between CEO female gender and financial distress in the literature, gives the basis to conduct a similar study in other to improve the result for the listed deposit money banks in Nigeria for the period of 2008 to 2024.

In the same view, Aderin and Ashafoke (2024) investigated the impact of corporate governance mechanisms on financial distress scenarios of banks quoted on the Nigerian Exchange Group. The theoretical framework of the relationship was hinged on the upper echelon theory (given the echelon occupied by Boards and Chief Executives of firms). The study utilised a sample of fourteen (14) banks over a five-year period (2004-2008). The justification for this period is premised on the proliferation of distress scenarios among Nigerian banks. The banks are segmented into two distinct groupings based on their financial health status (distressed and non-distressed categorisations). The marginal effect estimates of the binary logistic regression are utilised in analysing the model. The empirical results reveal that CEO gender and financial education and board characteristics are significant predictors of the probability of financial distress among Nigerian quoted banks.



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Chief Executive Officer Founder and Financial Distress

It is of the essence to note that studies have attempted to examine the effect of CEO founder on different context with different outcomes. Hence, certain studies discovered that CEO founder has a positive and significant effect on financial distress. For instance, Huang *et al.* (2024) investigated the effect of powerful female CEOs and the financial distress of non-financial U.S. listed firms over the time period of 2007–2015. A correlation research design was used and data were sourced from the annual reports and accounts of the firms. The data were analyzed using descriptive statistics and multiple regression analysis. Additionally, the results indicated that founder CEO exerts a significant influence on financial distress of non-financial U.S. listed firms over the time period of 2007–2015. However, the study focused on the U.S.A listed firms. In view of the foregoing, this study examined the events which occurred in the Nigerian deposit money banks for the time frame of 2008 to 2024.

Foong and Lim (2023) examined whether firms run by a founder chief executive officer (CEO) have higher pay and whether their power sources from chairing the board, remuneration committee, tenure, or share ownership affect the pay-performance nexus. Data for the study was hand-collected amongst 362 family-owned firms listed in Bursa Malaysia from 2009 to 2015 and analysed via the generalized method of moments (GMM) system to address endogeneity. The results showed that initially there was a significant positive pay-performance relationship in Malaysian family-owned firms; however, the founder CEOs had a weak influence on the pay-performance nexus. However, the study focused on the Malaysia.

Mukherjee and Sen (2022) investigated the impact of CEO attributes on corporate reputation, financial distress, and corporate sustainable growth in India. The study employed panel data of 138 listed non-financial companies on National Stock Exchange (NSE) over the time-frame of (2011-2018), multiple regression was employed which found that founder CEO maintained significant positive association with corporate reputation. Moreover, the results demonstrate that CEO founder appears to have a significant and positive association with corporate sustainable growth. Wang *et al.* (2022) examined founder CEO, chief executive officer characteristics, and firm innovation efficiency: An empirical study of China's GEM-listed companies. They analyzed the nine-year panel data of China's Growth Enterprise Market (GEM)-listed companies to empirically study the relationship between founder CEO (vs. non-founder CEO), chief executive officer characteristics, and firm innovation efficiency. However, the study focused on the China's growth enterprise market.

Theoretical Framework

For the purpose of this study, upper echelon theory, human capital theory and feminist theory were discussed and adopted accordingly.

Upper Echelons Theory

In exploring the effect of chief executive officer characteristics on financial distress, this study explores the upper echelons theory, as devised by Hambrick and Mason (1984). This theory describes that managerial background attributes can reflect tactical decisions. The basic principles of upper echelons theory are derived from leap rationality theory, which expresses that the decision-making of an individual is not entirely based on



rational motives because these cannot capture all relevant information about the subject (March, 1978).

Consequently, people generally rely upon their emotional and behavioral factors in decision-making, which means that the study of executive decision-making must consider the difficulties in measuring the psychological components of chief executive officers (Hambrick & Mason, 1984). Researchers work on upper echelons theory and additionally contended those directors' apparent demographic indicators (for example, age, shareholding, and tenure length) could suggest to their characters (Abdullah & Said, 2018).

By drawing on upper echelons theory, a few studies have revealed that how different attributes of executives, for example, age, shareholding, and tenure length, can affect the financial distress of an entity (Lee *et al.* 2018; Rono, 2018; Zahra *et al.* 2018). Generally, upper echelons theory-based investigation concentrated on noticeable characteristics of chief executive officer, which comprises tenure length, to mitigate financial distress of listed deposit money banks in Nigeria by utilizing CEOs' skills and experience appropriately.

Human Capital Theory

Becker (1975) propounded human capital theory. This theory explains both individuals' decisions to invest in human capital (education and training) and the pattern of individuals' lifetime earnings. Individual different levels of investment in education and training are explained in terms of their expected returns from the investment. Investments in education and training entail costs both in the form of direct expenses (e.g., tuition) and foregone earnings during the investment period, so only those individuals who are compensated by sufficiently higher lifetime earnings will choose to invest (Becker, 1993).

The human capital theory predicts the investment in human capital based on knowledge and skill acquisition (Mamman & Ugwoke, 2021). Human capital entails level of education, employee experience and entrepreneurial characteristics. Hahn *et al.* (2019) enumerated various ways individuals can attain entrepreneurship information to include individual skills information technology skills. Set acquire skills, occupational skills and continuous learning. Human capital theory serves as a tool for organizing and synthesizing the ideas that shaped the chief executive officer's ways of managing an organization after acquiring relevant knowledge.

Human capital is important in realising and producing chief executive officer opportunity, and this implies that the realisation of these opportunities will enhance with the required skills to run an entity in other to achieve financial growth, which is one of the main constructs of human capital theory knowledge. However, based on the theoretical submission, this study employed human capital theory in order to set the context for the study and prepare the ground for discussions on chief executive officer founder, which emphasized the identification skills, knowledge and experience that are essential to mitigate financial distress in the entirety of listed deposit money banks in Nigeria.

Feminist Theory

Wollstonecraft (1972) was the profounder of Feminist theory. According to Fischer *et al.* (1993), there are two perceptions in behavioural and entrepreneurial research on gender and sex. These include the liberal feminist and social feminist theories. According them, the liberal feminist perspective originated from the liberal political philosophy. It is based on the presumption that women are equally talented and



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rational, hence, they are complete human beings like men.

One major implicit postulation of this theory is that women will develop to become more like men, since the genesis for any existing dissimilarity is presumed to be women's relative deprivation (Fischer *et al.* 1993). Studies that have been conducted to validate this theory have established little evidence that the obvious discrimination and systemic influence keeping women away from receiving vital resources, such as business education and experience, hinder their capabilities to succeed in business (Bhatt & Bhatt, 2017; Ali *et al.*, 2014; Shrader *et al.*, 1997; Belcourt, 1991).

Prior studies conducted on female social qualities and ethics are consistent with the social feminist theory (Chrisman *et al.*, 1990; Riding & Swift, 1990). They contend that the little difference between men and women has less influence on their business performance. Consequently, in light of the above-mentioned arguments, this study has adopted both the liberal feminist theory and the social feminist theory because it is expected that gender diversity of the chief executive officer did not mean that female directors are inferior to men, because women would have similar functions like their men counterparts in mitigating financial distress.

3. Research Methodology

Correlational and ex-post facto research designs with a positivism paradigm in line with Huang *et al.*, (2012); Shehu, (2013); Waweru & Riro, (2013) and Olowokure *et al.* (2016) was employed. A correlational research design is very appropriate for this study because it is used to describe the statistical association between two or more variables. The use of this design will allow for the testing of expected relationships between and among variables and the making of predictions regarding these relationships (Shehu, 2013). Ndiyo (2005) observed that ex-post facto research design is a systematic empirical study in which the researcher does not in any way control or manipulates independent variables because the situation for study already exists or has already taken place.

The population of the study comprises 14 deposit money banks identified as listed on the Nigerian Exchange (NGX) Group as at 31 December 2024. The study covers a period of seventeen years, from 2008 to 2024. The study initially considered the 14 banks identified in the population; however, Union Bank Plc was delisted from the floor of the Nigerian Exchange (NGX) on 27 November 2023 and was therefore excluded from the study. Consequently, the final sample comprises 13 deposit money banks.

The 13 sampled banks and their respective listing years are; Access Holdings Plc (1998), Ecobank Transnational Incorporated (2006), FBN Holdings Plc (1971), FCMB Group Plc (2004), Fidelity Bank Plc (2005), Guaranty Trust Holding Company Plc (1990), Jaiz Bank Plc (2017), Stanbic IBTC Holdings Plc (2012), Sterling Bank Plc (1992), United Bank for Africa Plc (1970), Unity Bank Plc (2005), Wema Bank Plc (1987), and Zenith Bank Plc (2004). The study therefore adopted a census sampling technique in selecting all eligible banks that satisfied the inclusion criteria (active on NGX). Accordingly, all 13 eligible deposit money banks were included in the final sample.

Although the overall study period covers 2008–2024, the availability of observations varies among the sampled banks based on their respective listing dates. Specifically, Jaiz Bank Plc was listed on the floor of the Nigerian Exchange (NGX) in 2017; consequently, data for the period 2008 to 2016, representing nine years, were not



available. Similarly, Stanbic IBTC Holdings Plc was listed on the floor of the Nigerian Exchange (NGX) in 2012; therefore, data for the period 2008 to 2011, representing four years, were not available. The absence of these observations is attributable to the respective listing dates of the banks.

Based on the above inclusion and exclusion criteria, the study uses the available observations for the 13 sampled deposit money banks over the 2008–2024 period. The final dataset comprises 208 bank-year observations, representing the usable observations obtained from the annual reports and accounts of the sampled banks after accounting for listing dates, delisting, and data availability constraints. The resulting dataset constitutes an unbalanced panel, as the number of observations available differs across the sampled banks.

Variable Measurement, Definitions, and Sources

Table 1

Variables Measurement and Source

S/N	Variables	Measurement	Source
Dependent Variable			
1	Financial Distress (FDIS)	Absolute residuals of the model.	Zmijewski (1984).
Independent Variables			
2	CEO Tenure (CEOT)	1 is given to firms whose CEO have stayed for 5 years, 0 less than 5 years tenure.	Murphy (1986).
3	CEO Female (CEOD)	Gender1 if the CEO is female, 0 if otherwise.	Jalbert <i>et al.</i> (2007).
4	CEO Founder (CEOF)	1 is tagged to firms that have a founder CEO, 0 for non-founder CEO.	Foong and Lim (2023).
5	Big4 Auditors (BIG4)	1 is given to banks that are audited by E&Y, PWC, KPMG, and Deloitte, 0 otherwise.	Bala <i>et al.</i> (2022).

Source: The Researcher, 2026

The keywords contained in the model of this study are: FD= Financial Distress, CEOT= CEO Tenure, CEOD= CEO female gender, CEOF= Founder CEO, BIG4 = Big Four Auditors, ε = Error term. Gujarati and Porter (2009) stated that model specification is the determination of the endogenous and exogenous variables to be included in the model as well as the a priori expectation about the sign and the size of the parameters of the function.

This study employed a multiple linear regression involving direct and indirect models respectively. Thus, the specific models are as stated below:

$$Z = -4.803 - 3.599 (X1) + 5.406 (X2) + 1.000 (X3) \dots\dots\dots(I);$$

where: X1: ROA (Net income / total assets), X2: Leverage (Total debt / total assets) and X3: Liquidity (Current assets / current liabilities).

$$FD_{it} = \beta_0 + \beta_1 CEOT_{it} + \beta_2 CEOD_{it} + \beta_3 CEOF_{it} + \beta_4 BIG4_{it} + \varepsilon_{it} \dots\dots\dots(ii)$$



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4. Result and Discussions

Descriptive Statistics

This section presents and describes the nature of the study's variables using descriptive statistics. The descriptive statistics (which is unbalanced panel) is presented in Table 2 displaying the observation, minimum, maximum, mean as well as the standard deviation of the data in respect of all the study's variables.

Table 2

Descriptive Statistics

Variable	Obs	Mean	SD	Min	Max
FDIS	208	0.453	0.146	0.078	0.521
CEOT	208	0.889	0.314	0	1
CEOD	208	0.010	0.098	0	1
CEOF	208	0.058	0.234	0	1

Source: Extracted from STATA 17 Output, 2026

Financial distress (FDIS) has a mean of 0.453 and a standard deviation of 0.146, with values ranging from 0.078 to 0.521. The mean indicates the average level of financial distress among the sampled deposit money banks during the study period. The standard deviation suggests relatively moderate dispersion around the mean, while the difference between the minimum and maximum values indicates variation in financial distress across the bank-year observations.

CEO tenure (CEOT) has a mean of 0.889 and a standard deviation of 0.314, with a minimum of 0 and a maximum of 1. Since CEOT is a binary variable, the mean of 0.889 indicates that approximately 88.9% of the 208 bank-year observations had CEOs who met the study's specified tenure criterion, while approximately 11.1% did not. This indicates a relatively high prevalence of the specified CEO tenure characteristic among the sampled banks.

CEO female gender (CEOD) has a mean of 0.010 and a standard deviation of 0.098, with values ranging from 0 to 1. The mean indicates that approximately 1.0% of the 208 bank-year observations had a female CEO, while approximately 99.0% had male CEOs. This finding indicates that female representation at the CEO level was very limited among the sampled deposit money banks during the study period.

CEO founder status (CEOF) has a mean of 0.058 and a standard deviation of 0.234, with values ranging from 0 to 1. The mean indicates that approximately 5.8% of the bank-year observations had a founder serving as CEO, while approximately 94.2% had non-founder CEOs. This suggests that founder CEOs constituted a relatively small proportion of the sampled observations compared with non-founder CEOs.

Correlation Matrix

Table 3 presents correlation matrix of the study where the degree of association between the dependent variable and independent variables is determined as well as the association among the repressors themselves.



Table 3

Correlation Matrix

Variable	FDIS	CEOT	CEOD	CEOF	BIG4
FDIS	1.000				
CEOT	0.630	1.000			
CEOD	-0.253	0.035	1.000		
CEOF	-0.416	-0.176	0.398	1.000	
BIG4	0.556	0.522	0.038	-0.089	1.000

Source: Extracted from STATA 17 Output, 2026

The Pearson correlation results in Table 3 show the relationships between financial distress (FDIS) and the explanatory variables. FDIS has a strong positive relationship with CEO tenure (CEOT) ($r = .630$), indicating that bank-year observations characterised by longer-tenured CEOs tend to be associated with higher levels of financial distress. According to Cohen (1988), a correlation coefficient of .50 or above represents a large effect, suggesting that the observed association between CEO tenure and financial distress is substantial.

FDIS has a negative relationship with CEO female gender (CEOD) ($r = -.253$), indicating that bank-year observations with female CEOs tend to be associated with lower levels of financial distress. Based on Cohen's (1988) guidelines, the magnitude of this relationship falls within the small-to-moderate range, suggesting a relatively modest association between CEO female gender and financial distress.

Similarly, FDIS exhibits a moderate negative relationship with CEO founder status (CEOF) ($r = -.416$). This indicates that bank-year observations involving founder CEOs tend to be associated with lower levels of financial distress. The magnitude of the coefficient suggests a meaningful inverse association between CEO founder status and financial distress.

FDIS has a strong positive relationship with BIG4 audit quality ($r = .556$). This indicates that bank-year observations audited by Big Four audit firms tend to be associated with higher levels of measured financial distress. The magnitude of the coefficient represents a relatively strong association based on Cohen's (1988) classification.

Overall, the correlation results indicate that CEO tenure and BIG4 audit quality are positively associated with financial distress, whereas CEO female gender and CEO founder status are negatively associated with financial distress. These findings provide preliminary evidence on the direction and strength of the relationships between financial distress and the explanatory variables. However, correlation coefficients only indicate bivariate association and do not establish causality. Furthermore, as noted by Gujarati (2004), correlation analysis can provide an initial indication of the degree of association among variables, but further diagnostic tests are necessary before drawing conclusions from regression estimates.



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Model Specification Test (Link Test)

Table 4

Link Test

Predictor	B	t	p
_hat	0.431	0.91	0.365
_hatsq	0.862	-1.21	0.227
Constant	0.071	-1.08	0.284

Source: Extracted from STATA 17 Output, 2026

The link test was conducted to assess the specification of the regression model for financial distress (FDIS). The test examines whether the model has been appropriately specified by regressing the dependent variable on the predicted values (*_hat*) and the squared predicted values (*_hatsq*). According to Pregibon (1980), a correctly specified model is expected to have a statistically significant coefficient for *_hat* and a statistically non-significant coefficient for *_hatsq*. In particular, statistical significance of *_hatsq* may indicate the presence of omitted variables, an inappropriate functional form, or other forms of model specification error.

As presented in Table 4, the coefficient of the predicted value (*_hat*) is positive but statistically non-significant ($B = 0.431$, $t = 0.91$, $p = .365$). This indicates that the fitted values from the original regression do not have a statistically significant relationship with financial distress within the link-test specification. Although the non-significance of *_hat* does not provide the expected confirmation of model adequacy, it should be interpreted alongside the result for the squared predicted value.

The coefficient of the squared predicted value (*_hatsq*) is positive but statistically non-significant ($B = 0.862$, $t = -1.21$, $p = .227$). Since the p-value of .227 is greater than the .05 significance level, there is no statistical evidence that the squared fitted values contribute additional explanatory information to the model. This is the principal diagnostic implication of the link test, as a significant *_hatsq* would suggest possible model misspecification, including omitted nonlinear relationships or other specification errors (Pregibon, 1980).

Normality Test

The kernel density estimate of the fitted values shows a sharply peaked distribution concentrated around values slightly above zero, with a noticeable right tail extending toward higher fitted values (approximately up to 4), indicating positive skewness. The high central peak suggests that a large proportion of predicted values cluster tightly around the mean, implying relatively consistent model predictions for most observations, while the extended right tail indicates the presence of fewer firms with substantially higher predicted financial distress.

The use of the Epanechnikov kernel with a bandwidth of 0.0841 reflects a relatively narrow smoothing parameter, meaning the density curve closely follows the data structure; as noted by Silverman (1986), smaller bandwidths reduce smoothing bias but may increase variance in the estimate, producing more pronounced peaks. The evident asymmetry suggests deviation from normality, as a normal distribution would exhibit symmetry around the mean.

In applied regression diagnostics, such skewness may indicate heterogeneity in the conditional distribution of the dependent variable and potential influence of high fitted values. However, moderate skewness does not necessarily invalidate regression estimates, particularly in large samples ($N = 208$), where the Central Limit Theorem supports asymptotic normality of estimators. Regarding effect distribution interpretation, the concentration of density around central fitted values implies stable predictive performance for the majority of firms, while the right tail suggests that certain governance configurations may substantially elevate predicted financial distress. Overall, the density pattern indicates a unimodal but positively skewed distribution, warranting supplementary diagnostic checks (e.g., heteroskedasticity test) to confirm robustness.

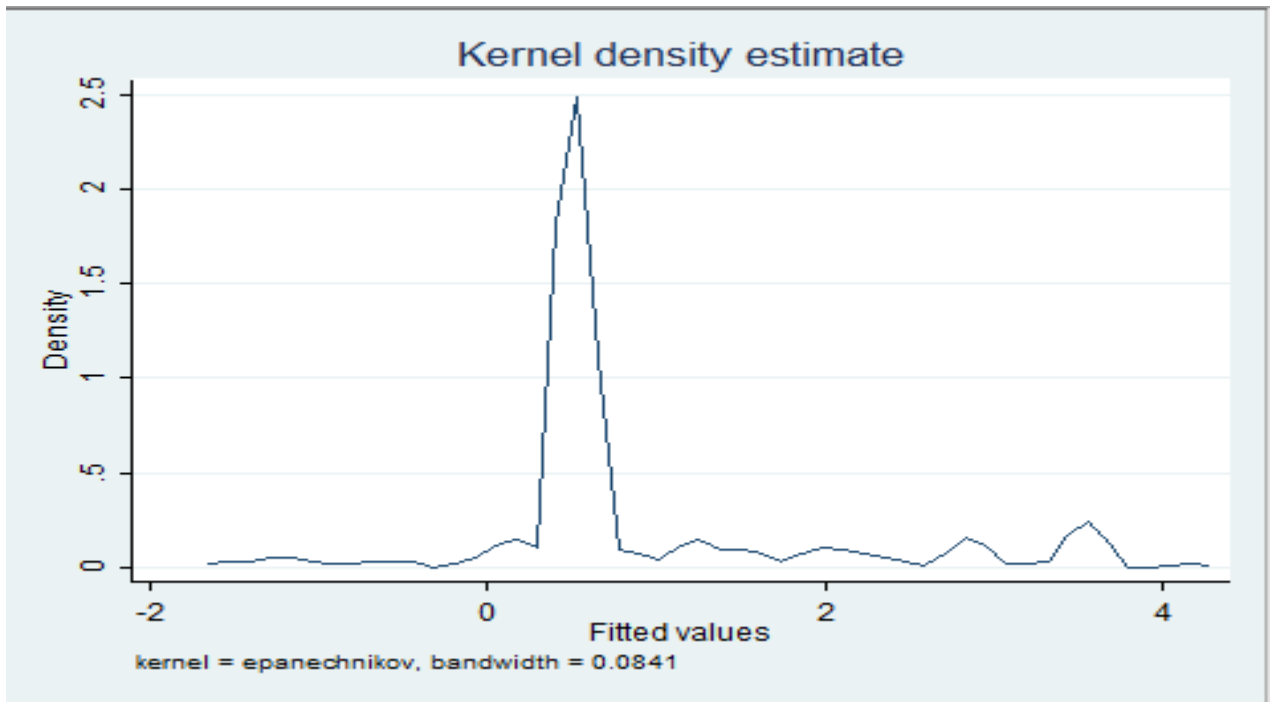


Figure 1: Residual Distribution

Source: Researcher's Output, 2026

Multicollinearity Test

Table 5

Multicollinearity Test

Variable	VIF	Tolerance (1/VIF)
CEOT	3.21	0.312
BIG4	3.11	0.321
CEOF	1.25	0.797
CEOD	1.21	0.830
Mean VIF	2.20	

Source: Extracted from STATA 17 Output, 2026



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The VIF test was conducted to assess multicollinearity among the independent variables. Gujarati (2004) suggests that VIF values above 10 indicate serious multicollinearity, while Hair et al. (2010) recommend a more conservative threshold of 5. As shown in Table 5, the VIF values range from 1.21 to 3.21, with CEOT having the highest value (3.21), followed by BIG4 (3.11), CEOF (1.25), and CEOD (1.21). All values are below 5, indicating no serious multicollinearity. The tolerance values range from 0.312 to 0.830, all above the 0.10 threshold, further confirming the absence of multicollinearity. The mean VIF of 2.20 also indicates low overall collinearity among the predictors. Therefore, multicollinearity is unlikely to affect the reliability of the regression estimates.

Groupwise Heteroscedasticity Test

Table 6

Heteroscedasticity Test

Test	Co-efficient/Chi ²	Prob.
Hettest	109.72	0.000

Source: Extracted from STATA 17 Output, 2026

The Breusch–Pagan/Cook–Weisberg test for heteroskedasticity was conducted to examine whether the variance of the residuals in the model is constant. The null hypothesis of the test states that the residuals are homoskedastic (i.e., have constant variance), while the alternative hypothesis indicates heteroskedasticity (non-constant variance) (Gujarati, 2004). The results show a Chi-square statistic of 10972.89 with a corresponding *p*-value of 0.000 respectively.

Since both *p*-values are less than the 5% significance level, the null hypothesis is rejected, providing strong evidence of heteroskedasticity in the model. By implication, the presence of heteroskedasticity suggests that the standard errors from the OLS estimation may be biased, potentially leading to invalid statistical inferences. To address this issue, Panel Corrected Standard Errors should be employed.

Regression Results

Table 7

Summary of Regression Result Panel Corrected Standard Errors

Predictor	B	z-value	p-value
CEOT	0.211	2.99	0.003
CEOD	−0.262	−2.34	0.019
CEOF	−0.157	−2.99	0.003
R ²			0.528
Wald $\chi^2(4)$	178.21		0.000

Source: Extracted from STATA 17 Output, 2026

Analyses of the Model

Table 7 presents the results of a linear regression estimated using panel-corrected standard errors (PCSEs), following the approach recommended by Beck and Katz (1995) for panel data with contemporaneous correlation and heteroskedasticity across panels. The model includes 208 observations across 13 firms (unbalanced panels), with no assumed autocorrelation. The overall model is statistically significant, Wald $\chi^2(4) = 178.21, p < .001$,

indicating that the explanatory variables jointly predict financial distress (FDIS). The R^2 of .5279 suggests that approximately 52.79% of the variation in financial distress is explained by CEO tenure (CEOT), CEO female gender (CEOD), and CEO founder status (CEOF) representing moderate explanatory power in line with benchmarks suggested by Cohen (1988).

Chief Executive Officer Tenure and Financial Distress

Table 7 indicates that chief executive officer tenure (CEOT) has a positive and statistically significant relationship with the financial distress (FD) of listed deposit money banks in Nigeria. The beta coefficient of 0.211 and p-value of 0.003 ($p < .05$) show that, holding other variables constant, an increase in CEO tenure is associated with a corresponding increase in financial distress. This implies that firms with longer-tenured CEOs are more likely to experience higher levels of financial distress. This finding does not align with the a priori expectation of the researcher, as longer CEO tenure was expected to enhance monitoring effectiveness, improve oversight of financial reporting processes, and strengthen internal control mechanisms, thereby mitigating financial distress.

The positive significant effect contradicts the core assumptions of Upper Echelons Theory, which posits that executives' experience and tenure should positively influence organizational outcomes through accumulated knowledge and strategic competence. The result suggests that prolonged tenure may instead lead to managerial entrenchment or strategic rigidity, potentially worsening firm financial conditions. This finding is consistent with Mohammed et al. (2024), Tijjani and Yahaya (2024), and Kauji, Mohammed, and Tijjani (2023), who similarly report that extended CEO tenure can increase firm risk or financial instability. However, it contradicts the findings of Akindayomi et al. (2024), Einerskog (2022), and Mutai (2020), who found that longer CEO tenure reduces financial distress or improves firm outcomes.

Chief Executive Officer Female Gender and Financial Distress

To examine hypothesis two, which states that CEO female gender has no significant effect on financial distress of listed deposit money banks in Nigeria, Table 7 shows a negative beta coefficient of -0.262 and a p-value of .019 ($p < .05$). This indicates that CEO female gender has a significant negative effect on financial distress. Thus, banks with female CEOs tend to experience lower levels of financial distress. Since the p-value is below the 5% significance level, the null hypothesis is rejected. The finding conforms to the a priori expectation that female CEOs may contribute to lower financial distress through prudent decision-making, enhanced monitoring, and ethical sensitivity.

It also provides support for Feminist Theory, which emphasizes the contribution of female leadership perspectives to organizational outcomes. The result is consistent with Akindayomi et al. (2024), Einerskog (2022), and Mutai (2020), who reported significant effects of female CEO leadership on financial outcomes. However, it contrasts with Mohammed et al. (2024), Tijjani and Yahaya (2024), and Kauji et al. (2023), who found insignificant effects.

Chief Executive Officer Founder and Financial Distress

With respect to chief executive officer founder status (CEOF), Table 7 shows a beta coefficient of -0.157 and a p-value of 0.003 ($p < .05$), indicating a negative and statistically significant relationship with financial distress of listed deposit money bank in Nigeria. This



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suggests that firms led by founder-CEOs experience significantly lower financial distress compared to non-founder-led firms.

Specifically, holding other factors constant, founder leadership contributes to a reduction in financial distress. This result aligns with the expectation that founder-CEOs possess firm-specific knowledge, strong commitment, and deeper monitoring incentives that enhance financial stability. The finding supports the assumptions of Human Capital Theory, which posits that accumulated experience, skills, and firm-specific knowledge improve productivity and organizational outcomes.

The significant negative effect implies that founder-CEOs may implement stronger internal controls, reduce opportunistic behavior, and adopt strategies that enhance financial soundness among listed deposit money bank in Nigeria. This finding is supported by Lucash (2019), Lee et al. (2016), and Seifzadeh (2015), who similarly found that founder leadership reduces financial distress. However, the result contrasts with Foong and Lim (2023), Muherjee and Sen (2022), and Wang et al. (2022), which reported no significant association between founder-CEOs and financial stability.

5. Conclusion and Recommendations

The study concludes that CEO tenure (CEOT) has a significant positive effect on financial distress, while CEO female gender (CEOD) has a significant negative effect. Similarly, CEO founder status (CEOF) has a significant negative effect on financial distress. The model explains 52.8% of the variation in financial distress.

Based on the findings, listed deposit money banks in Nigeria should strengthen CEO selection, appointment, and governance practices by considering leadership characteristics that can contribute to financial stability. Since longer CEO tenure is positively associated with financial distress, bank boards should periodically evaluate the performance and effectiveness of long-serving CEOs and strengthen succession and accountability mechanisms where necessary.

The significant negative effects of female CEO gender and founder status suggest that banks should promote inclusive leadership and effective founder-led governance where appropriate. In particular, regulatory authorities and bank boards should support merit-based appointment of female executives, strengthen board oversight, and ensure that CEO decisions are subject to effective monitoring and accountability mechanisms to reduce financial distress.

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