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Research paper



Ownership Structure and Bankruptcy: The Effect of Audit Committee Size

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Abstract

This paper analyses the interactive role of audit committee size on the link concerning ownership structure and bankruptcy. The study uses the listed Nigeria financial firms' yearly reports from 2006 to 2015. The sample comprises of twenty-nine (29) quoted firms. Estimation was used with Driscoll and Kraay's standard errors. The findings establish that executive, non-executive directors, and institutional ownership have a positive influence on Altman Z-score that is having lower bankruptcy possibilities. However, CEO, block and foreign ownership were found to have a negative influence on Altman Z-score that is having higher bankruptcy possibilities. The effective audit committee overturns these inverse relationships. Hence found that audit committee size moderates CEO, block and foreign ownership relationship with Altman Z-score positively. However, audit committee size moderates the effects of executives and institutions ownership on the Altman Z-score negatively and significantly. It is recommended that regulators should impose practical regulations to lessen the power of executives and institutional investors over the audit committee size in order to protect the interests of the minority shareholders.

Keywords: *Audit Committee; Bankruptcy; Financial Institutions; Nigeria; Ownership Structure.*

1. Introduction

Bankruptcy is a serious genuine theme in the business world as well as the educational works because of the global financial tragedy of 2008. Generally, the entire problem of corporate governance in relation to the businesses' bankruptcy is dominated by the business ruins of the early 21st era which result in the collapse of noticeable companies in both the developed and developing states [1]. Specifically, Barings Bank, Enron, Parmalat, Tyco, WorldCom, Wal-Mart Stores have entirely awakened the bankruptcy position of firms globally. The rise in the frequency of bankruptcy was surprising among the business holders and scholars [2].

Ownership structure is considered as an important element that affects a business's health [3]. If ownership structure has an effect on a business's health, then, it is likely at that point to use it to forecast business bankruptcy. It is anticipated that the going-concern position of a company depends absolutely on its ownership structure [4].

Concerning the relationship between ownership structure and bankruptcy (proxy as a going-concern prediction), scholars such as [5]; [6]; [7] found a positive relationship concerning board ownership and bankruptcy. Conversely, [8] claim a negative link between board ownership and bankruptcy. Meanwhile, [8] claim that a reverse relationship between the block ownership and bankruptcy. So also, [6] points out a positive relationship between foreign ownership and bankruptcy. However, [9] found a negative relationship between the foreign ownership and bankruptcy. Furthermore, [5] found a positive association between institutional ownership with bankruptcy. However, [6]; [7] found an inverse relationship between the institutional ownership and bankruptcy. Therefore, there is a need for addressing the above finding gaps by introducing a moderating variable so as to discover a specific effect of ownership structure and bankruptcy.

Recently the entire Nigerian share capitalization has dropped by 10.99% in NSE market in the second quarter of 2016. At the same time, the foreign share investment flow has reduced from 57.50% to 46.21% in 2014 and 2015 respectively and further dropped to 40.43% in the 2nd quarter of 2016. Similarly, the capitalization of Nigerian banks has declined by 21.18% in the 2nd quarter of 2016 [10]. These necessitate the investigation of the shareholding structure in the financial sector.

Established on the agency theory, internal board committees like audit committee lessens the agency conflict, the committee is essential for proving the main actions of the company which are acute to the business's bankruptcy. Furthermore, the audit committee plays a vital detecting role to assure the firm's financial reporting quality [11]. In the light of these, this paper examines the interactive role of audit committee size on the relation concerning ownership structure and bankruptcy of the listed Nigerian financial institutions.

2. Literature Review

Prior studies show objective statistical models to outclass auditors in evaluating business failure [12]. Although several bankruptcy studies have been done, only a few of them examine the famous of bankruptcy failure models for assessing going-concern position [12]. Hence, several studies that have used different proposed statistical bankruptcy prediction models are reviewed. These include [13], [14], [15], [16], [17], [18], [19] and [20] models.

[13] developed failure prediction model in 1966 using univariate analysis and includes 7 dimensions which are cash flow to the

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total debt; current ratio; net income to total assets; no-credit interval; total debt to total assets; as well as working capital to total assets. Furthermore, [14] established a failure prediction model in 1968 which includes 5 dimensions which are earnings before interest and tax (EBIT) to total assets; market value of equity to book value of total debt; retained earnings to total assets; sales to total assets; as well as working capital to total assets. However, [14] stated that the major shortcoming of his work was that the approach is limited to quoted manufacturing firms with available financial data ignoring financial firms despite its importance in an economy.

Likewise, [15] uses the data set of 1970-1976 sampling both bankrupt and non-bankrupt companies, applying logit analysis he developed his model using 9 dimensions. [21] re-estimate Ohlson bankruptcy prediction model and advise that scholars that use the model using current data should re-estimate the models' coefficients to improve the predictive correctness of the model. Furthermore, [16] stressed that the [14] model was a publicly quoted companies' model and impromptu amendments are not methodically effective. For that reason, [16] encouraged a comprehensive re-appraisal of the [14] model by replacing the market value in X4 with the book value of equity. However, [16] was not able to test the new model using secondary data as a result of the absence of a database for the private companies. Nevertheless, [16] analysed the model using only 4 variable in the model disregarding the last variable that is the Sales/Total assets ratio, this is due to possible industrial influence.

Meanwhile, [17] developed his model using Probit method sampling 40 bankrupts and 800 non-bankrupt industrial firms only excluding finance, services and public administration for 1972-1978. [17] applied the Probit method on financial ratios that determine companies leverage, liquidity, and performance to introduce the model. [22] assessed the performance of [17] model. [22] constructed an integrated model using different models, in which it outclassed the [17] model and that the performance of [17] model deteriorated over time. Furthermore, [18] applied a Probit model with 9 dimensions to probe the degree to which models grounded on financial and market variables to forecast auditors' judgments to produce qualified audit reports in circumstances concerning uncertainties. [23] claim that [18] fail to explore whether the judgment given is subjective to specific trade-offs fronting an auditor.

Likewise, [19] claims that static models are unsuitable for forecasting bankruptcy failure as the bankruptcy does not commonly occur. Therefore, develop a simple hazard model which combines entirely variable evidence to determine each company's insolvency risk at a particular occasion. According to [19] only net income to total asset coefficient [17] model has significant in explaining bankruptcy prediction failure, thus claimed that [17] model is 1 variable model, not 3 variable model as proved by [17]. Likewise, [19] argues that the only statistically significant variables of Altman 1963 model are EBIT over total assets in addition to market equity to total liabilities coefficients, thus claiming Altman 1963 model is 2 variable model, not 5 variable model. Based on these proved [19] argues that both EBIT to total assets and net income to total asset measure profitability of the firm, as well both market equity to total liabilities and total liabilities to total asset measures firm's leverage.

Recently, [20] evaluate the performance evaluation of the model in forecasting insolvency as well as other categories of company's distress, with the intention of proving its effectiveness for all entities, particularly financial institutions that require evaluating the insolvency risk of businesses. [20] utilised a huge intercontinental representative of companies to appraise the performance evaluation of the model in insolvency and distressed companies forecast. Ultimately, [20] analyse Z-Score model accuracy using 32 European plus 3 non-European nations.

In a nutshell, based on the reviewed detailed models, this study adopts [20] model as a measure of going-concern evaluation of companies, since it is proved that the Altman 2016 Model is justifiable for non-manufacturing companies rather than the original Altman 1968 Model for publicly traded manufacturing firms. As well the use of [20] model performs in various nations using a huge database worldwide for 31 nations, and the outcomes are authenticated in several nations [20].

With regards to ownership structure, agency theorist predicted that managerial stock possession has a substantial adverse relationship with the going-concern uncertainties [5, 8]. It is anticipated that the greater the board ownership in the firm, the lesser is the agency problems. This will, consequently, upturn the performance of the firm and helps firms to the reduce bankruptcy problem [24]. Previous studies in relation to board ownership on the bankruptcy have shown varying results. [8] establish that board ownership is inversely linked to firm bankruptcy prediction. Whereas, [5]; [25]; [7]; and [6] found that board ownership is positively related to lower firm bankruptcy risk. Established on the agency theory and resource dependency theory, it is anticipated that there is an association between board ownership and bankruptcy prediction. Thus, to analyze this relationship, this study, in line with [26]; [27]; [28] board ownership is decomposed into CEO, executive and non-executive directors' ownership. Grounded on the agency theory, resource dependence theory, in addition to previous studies it is anticipated that CEO, executive and non-executive directors' ownership enhances the efficiency in checking of the board and lower bankruptcy risk.

Block ownership is another alternative to decreasing agency costs by owners practically taking an active part in observing the activities of the company. Nevertheless, this depends on the volumes of their share stakes [29, 30]. The higher the shareholder's stake, the further interested they are to observe and safeguard their investment. Furthermore, [8] establish that block ownership is negatively related to firm bankruptcy prediction. Based on the relevant studies as well as agency and resource dependency theories, a positive relationship between block ownership and bankruptcy prediction is anticipated.

As indicated by [31] that the outside possession of a business is anticipated to eliminate the agency problem that exists between a corporate manager and owners and lower bankruptcy risk. Similarly, under the resource dependency theory foreign ownership normally contributes to managerial and organisational experiences by supplying organisational resources and expertise along with financial capital. So also, [9] found that foreign ownership is positively linked to firm bankruptcy prediction. Moreover, based on the agency and resource dependency theories and related studies as discuss, a positive relationship between foreign ownership and bankruptcy prediction is expected.

Agency theory advocates that institutional ownership could be an important control tool in observing the company's activities [30]. Indeed, institutional shareholders may offer active monitoring which is hard for minor, more inactive or less-educated stockholders. [7] and [6] found that institutional ownership is inversely associated with companies' bankruptcy prediction. However, [5] establish that institutional ownership is positively associated with firm bankruptcy prediction. Moreover, on the basis underpinning theories and discuss studies, a positive relationship between institutional ownership and bankruptcy prediction is expected.

In line with agency theory, the major role of the audit committee is to confirm that management is performing in the best interests of the owners [32]. Agency theory literature claim that a large audit committee with enough resources supports faster ratification of financial reporting disclosure irregularities and boosts transparency and accountability in a corporation's financial report. Likewise, numerous studies [33-37] have shown the significance of audit committee size in influencing the company activities, which in turn will likely influence financial reporting, in which going-concern is part of financial reporting. Consistent with the resource dependence theory, an audit committee with many participants means the participants may bring abundant resources to the company, like expertise and experience, which will support the audit committee effectiveness, therefore leading to high bankruptcy safety. Consistent with the resource dependence theory, the bigger audit committee, the better will be the company's financial per-

formance. A lesser audit committee size may not enjoy the same variety of expertise and experience as its outsized counterpart and therefore, becomes ineffective [34, 38]. Considering the agency theory, resource dependence theory, and previous studies it is anticipated that the nomination of a lot of audit committee participants enhances the efficiency of internal checking and healthier going-concern.

In line with the above, the model framework is presented in Figure 1 which covers elements of ownership structure (CEO, executive director, non-executive director, block, foreign and Institutional ownerships) as independent variables and bankruptcy as the dependent variable, while audit committee size is adopted as the interacting variable.

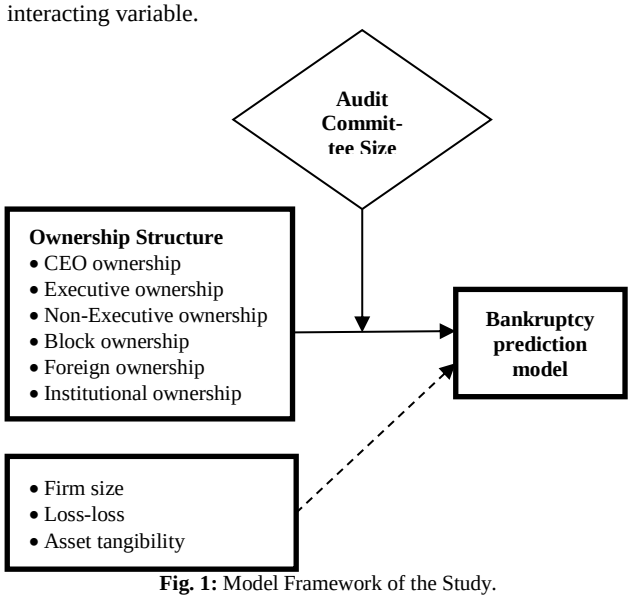


Fig. 1: Model Framework of the Study.

3. Methodology

The study covered the period from 2006 to 2015 for the reason that this is the period that the banking sector has experienced numerous changes in Nigeria, and some of the expected effects are visibly identified in the reports. It is at this time that the Nigerian Security Exchange Commission issued the 2011 and 2014 Corporate Governance Code forced the Nigerian firms to adhere to the requirements of the governance code. Likewise, it is in this era that the CBN issued the 2006 and 2014 code of Corporate Governance for Banks and Discount Houses so as to address the ambiguities including that of ownership structure. The population of the study consists of all fifty-five (55) financial institutions quoted on the Nigerian Stock Exchange as at 2015/2016. Whereas, the sample of this study constitute all the listed financial institutions with exception of those that had been quoted into Nigeria Stock Exchange after 2006 and firms below listing standard, firms under restructuring process and firms without complete data. Thirty-two (32) firms were listed after 31/12/2006, one (1) company is below listing standard, one (1) company under the restructuring process, and one (1) company without complete data. Hence, the final sample of twenty-nine (29) has been utilised for the purpose of this paper. The annual reports are the primary sources of data for this study.

[20] Z-score is used as a proxy of bankruptcy estimation model as the dependent variable. While the independent variables include the CEO Ownership (CO); Executive Director Ownership (EO); Non-Executive Director Ownership (NO); Block Ownership (BO); Foreign Ownership (FO) and Institutional Ownership (IO). In addition, the moderating variable is represented by Audit Committee Size (ACS). While the control variables include the company size (FS); Loss-Loss (L-L); and tangibility (TANG).

Bankruptcy estimation model: This is the tendency that the company may not be able to service its debt any longer and thereby liquidate, as it is believed that most of the public limited companies which the financial institutions are not in exception have a substantive amount of their capital as a loan. In line with [39], the probability of bankruptcy is measured using [20] Model of bankruptcy score which incorporates many financial indicators [20]. Altman estimated the following 4-variable Z-Score model as:

$$\mathbf{Z = 3.25 + 6.56X1 + 3.26X2 + 6.72X3 + 1.05X4} \quad \textbf{(1)}$$

Where: Z = Overall Index; X1 = Working Capital/Total Assets; X2 = Retained Earnings/Total Assets; X3 = EBIT/Total assets; and X4 = Book value of equity/Book value of total liabilities. Whereas, zones of discrimination: $Z > 2.6$ -"Safe" Zone; $1.1 < Z < 2.6$ -"Grey" Zone; and $Z < 1.1$ -"Distress" Zone. Therefore, the higher the Z-score, the lower the bankruptcy possibilities of the company and the lower the Z-score, the higher the bankruptcy possibilities of a company.

CEO Ownership (CO): Proportion of shares held by the CEO of the firm at the end of the financial year. This comprises direct and indirect shareholding of the CEO of the firm. The greater the ratio of the CEO equity ownership, the better in terms of the bankruptcy safety of the company as the CEO would do any legally, possible things to safeguard their economic and the general economic interests of the entire shareholders [40-44].

Executive Directors Ownership (EO): The executive directors' ownership is measured by the proportion or percentage of shareholding of executive directors consisting of both direct and indirect. The higher the ratio of the executive directors' equity ownership, the better in terms of the bankruptcy safety of the business as the management would do any legally, possible things to safeguard their economic and the overall economic interests of the entire shareholders [26, 27, 45-47].

Non-Executive Directors Ownership (NO): The non-executive directors' ownership is measured by the proportion or percentage of shareholding of non-executive directors comprising direct and indirect shareholding. The higher the ratio of the non-executive directors' ownership, the better in terms of the bankruptcy safety of the company as the non-executive directors would do any lawfully, possible things to defend their economic and the common economic interests of the entire shareholders [26, 27, 48, 49].

Block Ownership (BO): This refers to the proportion or percentage of the shares of a firm that is 5% and above that is held by shareholders, this includes managerial, institutional, and foreign or any other individual shareholder. This is consistent with the studies of [37]; [50]; [8].

Foreign Ownership (FO): This refers to the Proportion of total equities held by foreign investors at the end of the financial year. This is in line with the studies of [51]; [52]; and [53].

Institutional Ownership (IO): This refers to the Proportion of total shares held by Institutions investors at the end of the financial year. This is in line with the studies of [5]; [37]; and [54].

Audit Committee Size (ACZ): Measured as the number of audit committee members. This is in line with [33-37]. Consistent with the resource dependence theory, the larger audit committee, the better will be the firm performance [34, 38], hence, the better the going-concern status.

In addition, this study takes into consideration three control variables relating to the companies. First, control for firm size by means of the natural logarithm of the firm's total assets [55]. Such control is necessary because of the argument that larger firms have small probabilities of having bankruptcy problems. Secondly, a control variable bankruptcy using Loss-loss; this is measured through a dichotomous variable, that is, 1 is assigned if the previous Profit after Tax (PAT) is negative and 0 is allocated for previous positive PAT [55-58]. Lastly, tangibility is used as another control variable, and it is measured as the ratio of a fixed asset to total assets [57]. The reason behind the use of tangibility is that tangible assets are easily monitored and tend to lessen agency conflicts concerning shareholders and creditors in the event of bankruptcy.

3.1. Model Specification

The functional relationships among these variables are therefore defined as:

$Z\text{-}Score_{it} = f(CO, EO, NO, BO, FO, IO, ACS, ACI, ACE, SIZE, L\text{-}Loss, Tang)_{it} + \epsilon_{it}$

The interaction effect between the independent and moderating variables will be established on the dependent variable. Audit committee size as a moderator is introduced in the function of the model 2.

$$Z\text{-}Score_{it} = \alpha_0 + \alpha_1 CO_{it} + \alpha_2 EO_{it} + \alpha_3 NO_{it} + \alpha_4 BO_{it} + \alpha_5 FO_{it} + \alpha_6 IO_{it} + \alpha_7 ACS_{it} + \alpha_8 CO_{it} * ACS_{it} + \alpha_9 EO_{it} * ACS_{it} + \alpha_{10} NO_{it} * ACS_{it} + \alpha_{11} BO_{it} * ACS_{it} + \alpha_{12} FO_{it} * ACS_{it} + \alpha_{13} IO_{it} * ACS_{it} + \alpha_{14} FS_{it} + \alpha_{15} L\text{-}Loss_{it} + \alpha_{16} Tang_{it} + \epsilon_{it} \quad (2)$$

Where: Z-score = Bankruptcy estimation; CO denotes CEO Ownership; EO denotes Executive Director Ownership; NO denotes Non-Executive Director Ownership; BO denotes Block Ownership; FO denotes Foreign Ownership; IO denotes Institutional Ownership; ACS denotes Audit Committee Size; FS denotes Size; L-Loss denotes Loss-Loss; Tang denotes Tangibility; i represents the number of companies of the panel data t represents the time periods of the panel data; α0 represents the fixed intercept element; and $\alpha_{1\text{-}16}$ represents the ratio of change in DV to a unit change in each substituted explanatory variable; and ϵit is the error term that is factored to satisfy the linear regression model assumption.

4. Analysis and Discussion of Results

Table 1 presents the descriptive statistics results which provide summary statistics for the variables of the study.

Table 1. Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Z-score	290	6.21	3.02	-1.23	16.33
CO	290	0.01	0.02	0.00	0.14
EO	290	0.01	0.02	0.00	0.14
NO	290	0.16	0.19	0.00	0.86
BO	290	0.35	0.25	0.00	0.86
FO	290	0.12	0.19	0.00	0.86
IO	290	0.36	0.25	0.00	0.86
ACS	290	5.81	0.65	3.00	8.00
FS	290	18.42	2.30	13.84	22.26
LL	290	0.17	0.37	0.00	1.00
Tang	290	0.07	0.05	0.01	0.34

Table 1 discloses that the Z-score mean of 6.2062 which is safe, with a variability of 3.0221 among firms under study. Likewise, the Minimum Z-score of -1.2345 which indicates some companies have a serious bankruptcy problem in the Nigerian financial sector. However, the maximum Z-score of 16.3276 indicates some companies have sound financial status.

As for the ownership structure, the mean of CEO ownership (CO) is 0.9% with the standard deviation of 0.0194 as well as a lowest of 0% and a highest of 13.61% point out a lack of presence of CEO full financial commitment. Similarly, the mean of EO ownership (EO) as presented in Table 1 was 1.4% with the standard deviation of 0.0244 as well as a least of 0% and a highest of 13.61% specify lack of presence of EO financial commitments. However, for the non-executive directors' ownership (NO) has an average of 15.64% with a variation of 18.92% among them with the minimum level of 0.00% and maximum level of 85.61% this for the reason that some of the non-executive directors have a high level of indirect interest through the institutions they represent whereas some companies' non-executive directors do not have any direct or indirect stocks in the company.

With regards to block ownership (BO) has an average of 34.51% with a disparity of 25.43% between them with the lowest level of 0.00% and maximum level of 85.89%. Likewise, foreign ownership (FO) reported a mean as well as the standard deviation of 11.78% and 18.78% correspondingly, along with the lowest and maximum level of 0.00% and 85.89%. Similarly, institutional ownership (IO) reported a mean of 36.30% and standard deviation of 25.24% between them with the lowest level of 0.00% and maximum level of 85.89%.

For the moderating variable statistics, the audit committee size (ACS) have an average of almost 6 members with a variation of about 1 member among firms under study as well as the minimum of 3 and maximum of 8 members.

To determine the moderating effect of Audit Committee Size on the relationship concerning ownership structure and bankruptcy of the listed financial institutions in Nigeria, the second regression equation is run, that is $\textbf{Z-score} = \alpha_0 + \alpha_1 CO_{it} + \alpha_2 EO_{it} + \alpha_3 NO_{it} + \alpha_4 BO_{it} + \alpha_5 FO_{it} + \alpha_6 IO_{it} + \alpha_7 ACS_{it} + \alpha_8 CO_{it} * ACS_{it} + \alpha_9 EO_{it} * ACS_{it} + \alpha_{10} NO_{it} * ACS_{it} + \alpha_{11} BO_{it} * ACS_{it} + \alpha_{12} FO_{it} * ACS_{it} + \alpha_{13} IO_{it} * ACS_{it} + \alpha_{14} FS_{it} + \alpha_{15} L\text{-}Loss_{it} + \alpha_{16} Tang_{it} + \epsilon_{it}$. After running Breusch and Pagan Lagrangian Multiplier (BPLM), Hausman specification test, a group-wise heteroscedasticity, autocorrelation a Wooldridge test and Pesaran's cross-sectional dependence tests. An adjusted Driscoll and Kraay's standard errors were applied. Hierarchical regression result of the moderating effect of Audit Committee Size on the relationship between ownership structure and bankruptcy is presented in Table 2:

Table 2. Regression Result on the Effect of Audit Committee Size on Ownership Structure and Bankruptcy

Z-Score	Coef.	Std. Err.	T	P>t
CO	-881.12	201.57	-4.37	0.00
EO	259.08	166.33	1.56	0.07
NO	0.28	1.33	0.21	0.42
BO	-18.74	2.49	-7.54	0.00
FO	-5.18	4.32	-1.20	0.12
IO	6.05	2.36	2.56	0.01
ACS	-2.11	0.25	-8.43	0.00
ACS*CO	149.27	34.28	4.35	0.00
ACS*EO	-44.45	26.97	-1.65	0.06
ACS*NO	-0.28	0.24	-1.17	0.13
ACS*BO	2.91	0.48	6.05	0.00
ACS*FO	1.04	0.77	1.34	0.10
ACS*IO	-0.86	0.44	-1.95	0.03
FS	-1.21	0.17	-7.20	0.00
LL	-1.67	0.25	-6.60	0.00
Tang	-16.60	3.39	-4.89	0.00
Cons	42.56	3.08	13.80	0.00
R-squared	0.63			
Prob > F	0.00			
Wooldridge test for autocorrelation	0.01			
Hausman specification test	0.31			
BPLM test	0.00			
Modified Wald test for GroupWise heteroskedasticity	0.00			
Pesaran's test	0.00			

Contrary to the expectation Table 2 revealed that CEO ownership (CO) has a significant negative effect on Z-score, which is a higher bankruptcy possibility. However, this negative effect is overturned by effective audit committee size. Hence, it is found that audit committee size positively moderates the relationship between CEO ownership and Altman Z-score in listed Nigerian financial institutions. The result is in line with both agency and resource dependency philosophies that believe nomination of many audit committee participants enhances the efficiency in internal checking, which in turn motives CEOs to avoid devious act that will lead to the bankruptcy problem.

Furthermore, Table 2 revealed that executive ownership (EO) have a significant positive effect on Altman Z-score that is having lower bankruptcy possibilities. However, it is found that audit committee size negatively moderates the relationship between executive ownership and Altman Z-score that is having higher bankruptcy possibilities. The size of audit committee alone is not sufficient to moderates the relationship between executive ownership and bankruptcy in listed Nigerian financial institutions positively as the executive director that have devious character may manipulate the financial statement of a company to the extent that only members with financial knowledge may uncover.

However, Table 2 revealed that non-executives ownership (NO) has an insignificant positive effect on Altman Z-score. Correspondingly, audit committee size negatively but insignificantly moderates the relationship between non-executive ownership and

Altman Z-score, these findings contradicted the agency and resource dependence theories. Because audit committee size unaccompanied with independence and financial knowledge is not adequate to moderates the relationship between non-executive ownership and bankruptcy in listed Nigerian financial institutions positively.

It is had been revealed from the Table 2 that, block ownership (BO) have a significant negative effect on Altman Z-score that is having higher bankruptcy problems. However, this negative effect is overturned by effective audit committee size. Hence, found that audit committee size positively moderates the relationship between block ownership and Altman Z-score in listed Nigerian financial institutions. It is found the role of audit committee size play an effective governance monitoring role for controlling disclosure in the financial report of companies as postulated by SEC (2014). Similarly, these results are in consort with the agency and resource dependence theorists who's claimed that appointment of large audit committee participants enhances the efficiency in internal checking and healthier going-concern.

Whereas, Table 2 present that foreign ownership (FO) have an insignificant negative effect on going-concern (GC). However, this negative effect is overturned by effective audit committee size. Hence found that audit committee size positively moderates the relationship between block ownership and Altman Z-score in listed Nigerian financial institutions. Furthermore, this finding is consistent with both agency and resource dependency perceptions that believe nomination of a lot of audit committee participants enhances the efficiency in internal checking, which in turn motives foreign investors to invest more and transfer more technologies and ideas to firms which will enhance the going-concern and lower bankruptcy possibilities.

Lastly, Table 2 revealed that institutional ownership (IO) have a significant positive effect on Altman Z-score. On the contrary, it is found that audit committee size negatively moderates the relationship concerning institutional ownership and Altman Z-score of the listed Nigerian financial institutions. Similarly, these findings contradicted the agency and resource dependence thoughts. Audit committee size unaccompanied with independence and financial knowledge is not adequate to moderates the relationship concerning institutional ownership and bankruptcy of the listed Nigerian financial institutions positively.

5. Conclusion

Based on the research findings executive, non-executive directors, and institutional ownership have a positive influence on Altman Z-score that is having a lower bankruptcy possibility. However, CEO, block as well as foreign ownership have a negative influence on Altman Z-score that is having higher bankruptcy possibilities. Furthermore, these inverse relationships are overturned by the effective audit committee. Hence found that audit committee size moderates CEO, block and foreign ownership relationship with Altman Z-score positively. However, audit committee size moderate executives and institutions ownership relationship with Altman Z-score negatively and significantly. It recommended that regulators should impose practical regulations to lessen the power of executives and institutional investors over the audit committee size so as to safeguard the interests of the minorities.

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