



Examine the Effect of CEO Compensation on the Return on Capital Employed and Earnings Per Share of Some Selected DMBS In Nigeria

Habib Abdulkarim¹, Usman Isah² and Usman Inuwa³

^{1&2}Department of Accounting, Faculty of Arts and Social Sciences, Gombe State University, Gombe

³Department of Accountancy, Federal Polytechnic Kaltungo, Gombe State

Abstract: *This study is set to determine the effect of CEO compensation on return on capital employed and earnings per share. Correlation research design was used and data was extracted from the annual reports and accounts of the ten (10) out of (14) sampled DMBS in the Nigerian stock exchange group for the period of (9) years (2013 to 2021). The data was analyzed using multiple regression analysis. The findings revealed that CEO compensation has a positive and significant effect on return on assets of listed DMBS in Nigeria. CEO compensation has a negative but not significant impact on return on capital employed of listed DMBS in Nigeria. CEO share ownership has a positive and significant effect on return on capital employed of listed DMBS in Nigeria implying that more share ownership by chief executive officers will increase return on capital employed because the CEO become part of the owners and hence make value adding decisions to invest in profitable investment opportunities that will not only maximized profit but will create value for all stakeholders. In order to improve banks efficiency and minimize agency conflict, higher financial performances are needed. Hence it is recommended that listed DMBS in Nigeria should ensure CEOs are well compensated as this will significantly increase their financial performance.*

Keywords: *CEO, Compensation, Return, Capital, Earnings, and Share*

Introduction

Globalization and the need for expansion and intense competition within industries have justified the need for an experienced Chief Executive Officer (CEO) since the responsibility of piloting an organization's affairs and ensuring profitability often rests squarely on the shoulders of the Chief Executive Officer (CEO). This is because running an organization is never a task that an inexperienced person can accomplish. As such, CEOs take most of the blame for the failure because management failure is the failure of the CEO just as much as the CEO takes the credit when performance is high. Hence, the rate of executive pay is an essential part of corporate strategic decisions often determined by a company's board of directors. This study will cover a time frame of nine years, from 2013 -2021. This period is considered appropriate because it falls within the period when the Nigerian stock market experienced remarkable developmental changes and improvements in the policy framework and the Financial Reporting Council of Nigeria Code of Corporate Governance 2018, which are expected to influence financial performance significantly. While the COVID-19 pandemic

created an unprecedented disruption to the global economy and world trade, the income of many of the richest business people in Nigeria has held firm (Ibeawuchi & Onuora, 2021). In addition, many Nigerian CEOs still raked in millions of dollars in compensation for their roles, with some even increasing despite bank losses (Ibeawuchi & Onuora, 2021).

Complex compensation schemes are designed by boards of directors using strong pay-performance incentives that explain high levels of executive commitment along with bank size, demand for management skills and executive influence. However, the past years (2019 and 2020) marked a tumultuous transition for all organizations, which shifted rapidly from an expansion strategy to cost-reduction and control mode to cushion the negative effect of Covid-19 on organizational performance.

The primary objective of all banks is to maximize shareholders' wealth and achieve sustainable growth and development. However, this can only be accomplished with improved financial performance. Bank financial performance, therefore, can be viewed as how well a bank enhances its shareholder's wealth and the capability of a bank to generate earnings from the capital invested by shareholders (Osiegbu et al., 2014; Saidu, 2015). However, the rationale behind the pay-for-performance theory is that connecting pay to performance can inspire management to accomplish or manage more noteworthy performance levels (Rasoava, 2019). However, According to Ibeawuchi and Onuora (2021), the joint proposition underlying executive compensation is to motivate executives to work and make strategic decisions for the best interest of the shareholders, as such compensation packages should include some form of incentive component which should establish a link between executive compensation and the performance of the organization they manage. Hence, the need to have a well-structured compensation pattern must be considered, as a poor compensation package is detrimental to the overall corporate well-being since organizations exist to maximize shareholders' wealth.

Problem of the study

The financial performance of some deposit money banks in Nigeria is declining in spite of the increase in CEO compensations. For example, while the return on assets of GTB has reduced from 3.660 in the year 2015 to 0.0407 in 2020, the ROA of UBA has equally reduced from 4.3005 in 2015 to 1.1234 in 2020, Access Bank ROA has reduced from 0.0124 in the year 2015 to 0.0118 in the year 2020 in addition ROA of zenith bank has also reduced from 0.0274 in 2015 to 0.0266 in the year 2020. However, on the one hand, free-market economists argue that high executive pay is only justified if it aligns with the interests of executives and shareholders (Saidu, 2015).

Omoriegbe and Kelikume (2017) assert that there has been an increasing interest in the relationship between executive compensation and bank performance in Nigeria in recent years following the profligate lifestyle of some bank executives. This raises the question of whether the banking sector's performance justifies bank executives' compensation. Extant literature on the relationship between executive compensation and performance is inconclusive. While the findings of some studies indicate a positive and significant relationship, other studies found a significant negative relationship. Also, the outcomes of some studies suggest no correlation between executive compensation and banking performance.

Previous studies on executive compensation and financial performance include Chalmers, Koh, and Stapledon (2006) in Australia; Almeida (2014) in France; Rasoava (2019) in South Africa; Adam et al. (2019) in Egypt; and Khan, Mansi, Lin, Liu, Suanpong and Ruangkanjanases (2021) in Pakistan. These studies are conducted outside Nigeria; hence, their findings may not

be applicable in the Nigerian context because of the differences in the regulatory and business environments.

Studies in Nigeria include those of Kurawa and Kabiru (2014), Saidu (2015), Omoregie and Kelikume (2016), Omoregie and Kelikume (2017); Ekiabor et al. (2017); Kienabor et al. (2019) these studies consider banks in Nigeria while the study of Ahmed and Saidu (2021) consider insurance companies in Nigeria. Other studies in Nigeria include Ogbeide and Akanji (2016), Michael et al. (2017), Omotola and Akrawah (2019), and Olayeni and Olaniyi (2020) consider firms in Nigeria. Furthermore, Ibeawuchi and Onuora (2021) consider consumer goods in Nigeria, while Ugboaga and Ibrahim (2021) consider manufacturing companies in Nigeria.

This study uses CEO compensation, CEO share ownership, return on asset, return on equity, return on capital employed and earnings per share to measure financial performance.

Olaniyi and Obembe (2017) examined the determinants of CEO pay of quoted banks in Nigeria between 2005 and 2012, using a dynamic panel generalized method of moments (GMM). The study used CEOs' pay, bank size, CEO tenure and CEO pay while bank performance was measured using Tobins Q. The board size, CEO age, and leverage had no significant impact on CEO pay in Nigerian banks. Among the major studies, Kurawa and Kabiru (2014) used profit after tax as proxies of financial performance, while this study intends to use Return On Capital Employed and Earning Per Share as the proxies of performance this is done in order to ensure both accounting and market-based performance index are tested as part of executive performance.

Research Questions

This study set to address the following questions

- i. Does CEO compensation significantly affect the return on assets of listed DMBs in Nigeria?
- ii. Does CEO compensation significantly affect the ROE of listed DMBs in Nigeria?
- iii. Does CEO compensation significantly affect the return on capital employed of listed DMBs in Nigeria?
- iv. Does CEO compensation significantly affect earnings per share of listed DMBs in Nigeria?

Research Objectives

- i. To Determine the CEO compensation significantly affect the return on assets of listed DMBs in Nigeria?
- ii. To Examine the CEO compensation significantly affect the ROE of listed DMBs in Nigeria?
- iii. To Investigate the CEO compensation significantly affect the return on capital employed of listed DMBs in Nigeria?
- iv. To find out the CEO compensation significantly affect earnings per share of listed DMBs in Nigeria?

Significance of the Study

This study is significant because it investigates the effect of CEO compensation on financial performance. After all, the chief executive officer is responsible for the monitoring and control of business operations and productions. The findings from this study are expected to benefit the management of DMBs by allowing them to know the influence of executive compensation on performance, shareholders, and researchers. The study would help the board/management of listed DMBs design and formulate policies and procedures that will help align executive compensation and performance.

The policymakers, for example, management, SEC, can benefit from the findings of this study while setting up new policies, procedures and standards on the board of companies as well as in making amendments to the existing ones so as to minimize agency conflict and ensure the survival of these companies. The findings of this research will assist both the existing and potential investors of the DMBs in Nigeria in knowing whether chief executive officers are working toward shareholders' wealth maximization and, hence, justifying their compensation or not. This is because the main objective of companies is to maximize profit.

Lastly, future researchers, academia and students are also the beneficiaries of this study because they are usually interested in understanding the mechanisms of eliminating agency conflict, which can only be achieved by aligning the interests of management and owners cannot be overemphasized. Hence, the findings will serve as a source of knowledge and a point of reference for future studies.

Literature Review

This study focused on *the effect of CEO compensation on return on capital employed and earnings per share*, deals with the review of the relevant literature on executive compensations and financial performance. It consists of the conceptual review, the explanation of the key variables of the research as given by different scholars (CEO compensation and financial performance), conceptual framework and the empirical review of studies that are conducted on the effect of CEO compensation on financial performance. The chapter also reviews the theories most related to the subject matter under investigation.

1. Chief Executive Officers (CEOs) Compensation

The need for chief executive officer compensation must be considered since companies aim to maximize shareholders' wealth. According to Akinwunmi (2020), compensation provides monetary value to employees in return for their contribution to the organization. However, Ekienabor, Mbaegbu and Aguwamba (2017) explained that executive pay packages differ from employee pay both in scale and the benefits offered. Stock options form a fundamental component of a lot of executive compensation packages and a huge basic salary, though many will offer, to a large extent, more favorable stock choices and a low standard salary to lower the tax burden.

Hence, a firm's Board of Directors designs the CEO compensation remunerations, usually by the compensation committee consisting of independent directors, with the intent of incentivizing the executive team, who have a momentous impact on firm strategy, decision-making, and value creation in addition to enhancing Executive Retention (Adegoroye, Oluwafemi, Akanfe&Oladipo, 2017). This is because the CEO of a company, being the most senior executive of that company, manages the overall resources of the company and its operations in totality; hence, the responsibilities of making top-level managerial and corporate decisions capable of adding value to the company are vested on the CEO (Kenton, 2019). According to Shin, Lee and Joo (2009), chief executive officers' compensation consists of monetary compensation along with other non-monetary rewards received by an executive for their service to the firm.

Jensen and Murphy (2010) asserted that where chief executive officers are rewarded based on stock market performance, the compensation is still sub-optimal. Hence, Sigler (2011) exposes the pitfall of pay components like cash bonus incentives and stock options and concludes that despite the enticement on performance such rewards provide, they lead to some sort of undesirable behaviors by the executive of the reward system, so depicted,

according to him, creates an atmosphere of accounting manipulation and the sacrifice of long-term goals for short-term gains.

According to Almeida (2013), the total compensation of CEOs is made up of three components: (i) salary, (ii) bonus and (iii) equity-based compensation composed of stock options, restricted stocks and performance shares. The two latter components are meant to incite the CEO to meet the shareholders' objectives. First, as regards the salary, the organization considers three main criteria: the level of responsibilities, experience and the practices of other comparable firms. However, Sun, Xianging and Huang (2013) delineate executive compensation as reward packages paid to senior leaders in business, most habitually the CEO. Executive pay packages differ from employee pay both in scale and the benefits offered. This study adopted the compensation of chief executive officers of Shin, Lee, and Joo (2009).

2. Executive Compensation

Rapp port (1999) explained the four components of executive compensation: basic salary, short-term incentives, long-term incentives and perquisites. Saidu (2015) further explained that perquisites, as a component of executive compensation packages, consist of various benefits, including club memberships, housing accommodation, spouse and family travel, and company Salary is regarded as a fixed element of pay which varies and has no bearing on company performance. It is the money an employer pays to an employee in return for work performed. Base salary is the most significant component of the total compensation package. However, it is worth noting that inflation and other salaries have established the executive's basic living standards for time immemorial.

Murphy (1999) asserted that firm size is associated with base salary; Koala (2008) identifies direct and indirect pay to include direct, basic salary, overtime, commission, merit pay, leave allowance, bonuses and company's profit sharing. The indirect pay covers retirement benefits, health assurance and pension, car, club membership, and subsidy meals. However, Frydman and Jenter (2010) assert that high growth in CEOs' pay has been attributed to some powerful and/or influential managers determining their compensation and removing rents from their corporations, while other studies linked growth to the outcome of ideal astringent in a competitive market for managerial talent.

Nyaoga (2014) also comprehensively sums up rewarding system elements, including monetary, non-monetary, and psychological payments that organizations make to their chief executive directors. The key objective of such a broad spectrum of compensation is to elicit good job performance and maintain commitment.

Emmanuel, Michael, Akanfe, and Oladapo (2017) argued that there is no clear salary-related explanation for earnings management when considering the implicit bonus scheme in which subsequent salary is adjusted according to reported earnings. However, Akinwunmi (2020) further stressed that compensation received by CEOs in their respective corporation had raised cause for concern for policymakers, economists and researchers. The continuous increase in CEOs' pay in developed economies has prompted increased discussion about the nature of the pay-setting process and the outcomes it produces.

The performance of previous and current years is used mainly by companies to determine and pay managers' bonuses. According to Holthausen, Larcker and Sloan (1995), the bonus plan structure is used to determine if earnings can be manipulated to increase bonuses, and as such, executives have incentives that motivate them to either increase or decrease the company's earnings to influence bonuses. Hence, previous studies found a strong relationship

between firm earnings and managers' bonuses. When the firm earnings are high, bonuses increase, while performance-based compensation might not be possible when firm earnings are below a lower bound. As a result, a manager would be forced to make earnings-decreasing decisions. In contrast, when firm earnings are in-between a range where bonuses are positively associated with firm earnings, implementing earnings-increasing practices is imminent for a manager (Emmanuel et al., 2017).

3. The Financial Performance

The need for an increase in financial performance must be considered because, according to Folorunso, Adewale and Abodunde (2014), Organizational performance is the level of organizational achievement concerning organization resources and regulations, expectations and requirements in meeting its goals and objectives. Adegoroye, Sunday, Soyinka and Ogunmola (2017) defined organizational performance as the scale of the extent an organization effectively allocates the available assets to generate maximum return for itself, while Armstrong (2017) viewed organizational performance as the extent to which organizational objectives are achieved via effective and efficient utilization of resources.

Traditionally, companies' success has been evaluated using financial measures (Tangen, 2003), and Ilesanmi (2011) defines performance as the yield or results of activities carried out in relation to the purposes being pursued. Its objective is to strengthen the degree to which organizations achieve their purposes. However, to effectively evaluate organizational financial performance, accounting-based measures such as sales, earnings per share, growth rate of a firm, return on assets, return on equity, and return on capital employed can be used.

Measures of Financial Performance

In evaluating Corporate Performance, the emphasis is on determining the efficiency and effectiveness of the organization (Saidu, 2015). However, goals must be set for each of the perspectives of performance (accounting and market-based), and specific measures for achieving such goals are determined to measure overall corporate performance; both accounting and market-based performance are critical and must be considered simultaneously to achieve overall goals and to succeed in the highly competitive business environment.

Different performance indicators have been employed in studies, as noted by Folorunso, Adewale and Abodunde (2014) and the most common performance measures were Combined stock markets and accounting measures, like Tobin's Q or the ratio of market-to-book values, Stock market measures, such as the cumulative abnormal returns (CAR) and Accounting-based measures, i.e., figures and ratios from the financial statements such as return-on-equity (ROE) and return-on-assets (ROA).

Accounting-Based Measures of Performance

To effectively assess organizational performance, accounting-based measures such as sales, earnings per share, and growth rate of a firm can be used. Most previous studies used accounting data to measure financial performance. This entails the use of documented sources from annual reports and accounts to other statistical bulletins as they tap only historical aspects of firm performance. According to Kurawa and Kabiru (2014), the major accounting-based measures of performance are the return on assets (ROA), which is an indicator of how profitable an organization is relative to its total investment in assets, return on equity (ROE) which is the amount of net income returned as a percentage of shareholders equity and return on capital employed (ROCE) which is used for comparing the relative profitability of companies after taking into account the amount of capital used.

Market-Based Measures of Performance

Another technique for explaining the financial statements is analyzing and using the information in market-based performance (market value). Market ratios are those most commonly used by anyone interested in an investment in a firm. Kurawa and Kabiru (2014) explain that the market price for a share of common equity is a very special and informative number because it reflects the aggregate expectations of all of the market participants following that particular stock. The market price reflects the actual result of the market's trading activity in that stock. It summarizes the aggregate information the market participants have about the firm and the aggregate expectations for the firm's future profitability and growth (Kurawa and Kabiru (2014) & Saidu, 2015; Ra'ed et al., 2015).

Furthermore, the two common market-based approach ratios are the price-to-earnings ratio and the market-to-book ratio. Market value can be referred to as the price an asset would fetch in the marketplace. It is also commonly used to refer to the market capitalization of a publicly traded company, which is usually obtained by multiplying the number of outstanding shares by the current share price (<http://businessworldng.com>). Market-to-Book (MB) Ratio can be calculated by dividing the firm's market value of common equity at a point in time by the book value of common shareholders' equity from the firm's recent balance sheet (Kurawa and Saidu, 2015). The book value of an ordinary share is the value that would be attributable to each ordinary share if the assets and liabilities of the firm were sold or settled at the figures shown in the published balance sheet. The market value per share (the share price) is easily obtained from reports and newspapers (Alexander and Nobes, 2001).

Theoretical Framework

This study adopts the Stewardship theory, the theory was introduced by Donaldson and Davis (1989) as a normative alternative to agency theory. The theory assumes that individuals seek to fulfill higher-order needs through pro-organizational behaviour and thus will naturally align their interests with those of the organization. Hence, the theory provides a facilitative, empowering structure and holds that the fusion of incumbency, which explains the unity of chair and CEO, will enhance effectiveness. As a result, superior returns to shareholders could be attracted more than the duality of roles. However, the theory did not focus on the motivation of the CEO (executive compensation). This theory eliminates the key problems of agency theory, which centers on differences in objectives between the board and the CEO and the perceived inability of the shareholders to monitor CEOs.

However, among the aforementioned theories, explaining and predicting complex relationships exist between the firm owners and other stakeholders like the paid managers. In the classical principal-agent problem, a principal must delegate a task to an agent whose incentives are not perfectly aligned with those of the principal. A partial solution to this problem is to utilize an incentive contract designed to pay the agent more when the task is performed better. Executive compensation is often cited as an all-world example of a principal-agent problem since the shareholders (the principals) delegate virtually all decision rights to managers (their agents).

A very large body of literature has emerged that characterizes executive compensation contracts as a solution to this agency problem both theoretically and empirically (Murphy, 1999). The underlying assumption of the principal-agent model is that the principal, in this case, the shareholders, can somehow agree to an optimal contract with the agent, the managers, in the case of executive compensation. On the strength of the theory, annual performance is measured through the preparation and presentation of annual accounts and reports (Saidu, 2015; Saidu et al., (2017)). The annual report provides an appropriate basis for

measuring a firm's financial performance for the reporting period, and accordingly, managers are rewarded. The key concern for this study is whether compensation impacts financial performance measures (ROA, ROE, ROCE, and EPS) or not. Therefore, agency theory is seen as the theory that best explains the relationship between CEO compensation and financial performance because the theory clearly explains not only the conflicting interest between managers and owners but also provides mechanisms on how this conflicting interest can be resolved to ensure shareholders' wealth maximization. As such, agency theory was adopted to guide this study.

Research Methodology

Research methodology is a way of thinking and a way of studying social realities (Straus and Corbin, 2008). There are basically three types of research methodology that is qualitative, quantitative and mixed. Methodology adopted for the study, explains the research design, the population of the study, the sample size, the sampling technique, the sources and methods of data collection, the study variables, their measurement and the data analysis technique.

The current study adopted a quantitative correlation research design because the purpose of research under this design is to establish the effect between measured variables. This framework is considered the best for this study because the study determined the effect of CEO compensation on financial performance and using data extracted from annual reports and accounts of the selected DMBs under study. Information on CEO compensation and financial performance can best obtained from the annual reports and accounts of the sampled banks.

Population of the Study

The population of the study consists of all fourteen (14) deposit money banks quoted on the first-tier securities market of the Nigerian Exchange Group as of 31st December 2021. The listed banks are shown in table 3.1 below.

TABLE 1. Population of the Study

| S/NO. | NAME OF BANK | DATE OF LISTING | DATES OF INCORPORATION |
|-------|---------------------------------|-----------------|------------------------|
| 1 | Access Bank plc | 1998 | 1989 |
| 2 | Eco Transnational incorporated | 2006 | 2006 |
| 3 | Fidelity Bank plc | 2005 | 1988 |
| 4 | First Bank Plc | 1971 | 1894 |
| 5 | First City Monument Bank | 2004 | 1982 |
| 6 | Guaranty trust bank Plc | 1996 | 1990 |
| 7 | Jaiz bank Plc | 2017 | 2012 |
| 8 | Stanbic IBTC as Stanbic holding | 2012 | 2012 |
| 9 | Sterling Bank Plc | 1992 | 1960 |
| 10 | Unity Bank plc | 2005 | 1987 |
| 11 | Union Bank plc | 1971 | 1917 |
| 12 | United bank for Africa | 1970 | 1961 |
| 13 | Wema Bank plc | 1991 | 1945 |
| 14 | Zenith bank plc | 2004 | 1990 |

Source: Nigerian Exchange Group as of September 2022

Sampling Technique and Sample Size

Census sampling technique was used in selecting the sample size. However, some filters were applied, which required a bank to be listed on or before 1 January 2012 and remain listed until 31 December 2021. Jaiz Bank Nigeria Plc did not meet these criteria. In addition, the CEOs of Eco Bank Nigeria Plc, Unity Banks Nigeria Plc and Wema Bank Nigeria Plc have no share ownership. As such, these banks are eliminated from the sample size, as contained in Table 2.

Table 2. Sample Size of the Study

| S/No. | | Date of incorporation | Date of Listing |
|-------|--------------------------|-----------------------|-----------------|
| 1 | Access Bank Plc | 1989 | 1998 |
| 2 | Fidelity Bank Plc | 1988 | 2005 |
| 3 | First Bank Plc | 1971 | 1894 |
| 4 | First city monument Bank | 1982 | 2004 |
| 5 | Guaranty trust Bank Plc | 1990 | 1996 |
| 6 | Stanbic IBTC Bank Plc | 2012 | 2012 |
| 7 | Sterling Bank Plc | 1992 | 1960 |
| 8 | Union Bank Plc | 1917 | 1971 |
| 9 | United Bank for Africa | 1961 | 1970 |
| 10 | Zenith Bank Plc | 1990 | 2004 |

Source: Extracted from table 1.

Methods of Data Collection

The source of data adopted for this study is secondary because the data was extracted from the annual reports and accounts of the selected DMBs listed in Nigeria. The data obtained from these sources include Return on asset (ROA), return on equity (ROE), return on capital employed (ROCE) and earnings per share (EPS) as depended variable, while independent variable CEO compensation, Control variable bank size, bank growth, bank age and CEO shareholding for the period (2013-2021)

Techniques of Data Analysis

Given the objective of the study and following the works of Ekienabor, Mbaegbu and Aguwamba (2019); Omotola and Akrawah (2019); Ibeawuchi and Onuora (2021); Ugbodaga and Ibrahim (2021); Ahmed and Saidu (2021). Multiple regression analysis will be used for data analysis because the data combines time series and cross-sectional attributes. As such, the application of a panel data methodology is appropriate for such data.

Descriptive Statistics

Descriptive statistics was used to compute the summary of statistics that will describe the central tendency, as well as how the data spreads out around the mean value. This tool is used to describe the dependent and independent variables of the study by computing the Mean, Median, Maximum, Minimum and Standard Deviation of the variables. This is consistent with the studies of (Saidu (2015), Olaniyi, Obembe and Oni (2017); Omoregie and Kelikume (2017); Saidu, Bello and Jibril (2017); Ekienabor, Mbaegbu and Aguwamba, (2017); Ekienabor, Mbaegbu and Aguwamba (2019); Omotola and Akrawah (2019); Ibeawuchi and Onuora (2021); Ugbodaga and Ibrahim (2021); Ahmed and Saidu (2021).

Result and discussion of finding

Descriptive Statistics

Table 3, provides a summary of statistics for the variables of the study. The summary statistics include measures of central tendency, such as mean, measures of dispersion (the spread of the distribution), such as the standard deviation, and minimum and maximum values of both the dependent variable and explanatory variables. The table shows the summary statistics of the dependent variables, independent variables, and control variables to appreciate the nature of the results effectively.

Table 3: Descriptive Statistics of the Variables

| Variables | Obs | Mean | Std. Dev. | Min | Max |
|-----------|-----|---------|-----------|---------|---------|
| ROA | 90 | 7.0360 | 13.4945 | 0.00015 | 79.1330 |
| ROE | 90 | 5.3899 | 44.7191 | 0.00011 | 42.4548 |
| ROCE | 90 | 4.3162 | 8.97727 | 7.7506 | 64.1319 |
| EPS | 90 | 2.6949 | 22.3596 | 0.00005 | 21.2741 |
| CEOCOMM | 90 | 7.4386 | 0.24277 | 6.8552 | 7.9677 |
| CEOSH | 90 | 0.0069 | 0.01806 | 0.00016 | 0.1622 |
| SIZE | 90 | 9.9019 | 0.91565 | 8.9162 | 12.3968 |
| GRWTH2 | 90 | 20.4156 | 34.7791 | 0.0005 | 119.287 |
| BAGE | 90 | 24.1 | 15.1562 | 8 | 51 |

Source: Generated by the author from Annual Report Data of the banks using STATA

The descriptive statistics in Table 3 revealed that Return on assets has a mean of 7.0360 standard deviation of 13.4945 with minimum and maximum of 0.0015 and 79.1330, respectively, the standard deviation of 13.4945 signifies high variation in Return on assets of the banks within the period under study. ROE has a mean of 5.3899 and standard deviations of 44.191, with a minimum and maximum of 7.7506 and 64.1319, respectively. This shows that the Return on equity of the companies under study deviated significantly. ROCE has a mean of 4.3162 and a standard deviation of 8.9772, with a minimum and maximum of 7.7506 and 64.1319, respectively. EPS have a mean of 2.649 with a minimum and maximum of 0.00058 and 21.2741, respectively, and a standard deviation of 22.3596, showing that the earnings per share of the banks under study deviated significantly. CEO compensation has a mean of 7.4386 and a standard deviation of 0.2428, with a minimum and maximum of 6.8552 and 7.9677, respectively. The standard deviation of 0.2427 confirmed the absence of significant deviation within the period under study.

CEO share ownership has a mean of 0.0069 and a standard deviation of 0.01806, with a minimum and maximum of 0.00016 and 0.1622, respectively. The banks under study have an average size of 9.9019 a standard deviation of 0.9156, with a minimum and maximum of 8.9162 and 12.3968, respectively. Bank growth has a mean of 20.4156 and a standard deviation of 34.7791, with a minimum and maximum of 0.0005 and 119.287, respectively. Bank age, measured as the number of years from the date of listing, has a mean of 24 years, and a standard deviation of 15.1562 with minimum and maximum of 8 years and 51 years,

respectively. However, the standard deviation of 15.1562 confirmed no significant variation in the number of years within the period under study.

Conclusion/recommendation

Conclusions

This study examined the effect of CEO compensation on the financial performance of listed DMBs in Nigeria. Therefore, from the findings, the study concludes that the rationale behind pay-on-performance theory is that linking pay-on-performance can inspire the management to not only accomplish or manage more organizations effectively but also ensure high performance. Hence, complex compensation schemes are designed by boards of directors using strong pay-performance incentives that ensure high levels of executive commitment along with bank size, demand for management skills, expertise and executive influence. However, the past years (2019 and 2020) marked a tumultuous transition for all organizations, which resulted in a rapid shift from expansion strategy to cost-reduction and control modalities to cushion the negative effect of Covid 19 on organizational performance. Thus, increasing the bank's profits generating capacity and value for all stakeholders cannot be overemphasized.

Recommendations

The following are the recommendations that are made based on the conclusions of the study;

To improve banks' efficiency and minimize agency conflict, higher financial performances are needed. Hence it is recommended that listed DMBs in Nigeria should ensure CEOs are well compensated as this will significantly increase their financial performance.

CEO share ownership has a significant effect on the financial performance of listed DMBs in Nigeria. Hence, CEOs should own more shares of the bank they manage since it will align the interests of owners and managers.

Bank size negatively affects financial performance, hence DMBs should not be bothered as this negative influence is in the short run because investment in assets may not materialise and generate profit in the short run.

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