



## **THE IMPACT OF EXECUTIVE COMPENSATION PACKAGES ON THE FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA**

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**Abstract:** This study examines the relationship between executive compensation packages and the financial performance of deposit money banks in Nigeria. The study uses data from five randomly selected deposit money banks over a five-year period from 2015 to 2019, and analyzes it using correlation and regression models. Compensation packages are proxied by cash, bonus, stock, and perquisites of office, while return on liquid asset proxies the dependent variable. The study finds that compensation packages for executive directors are significantly related to the financial performance of deposit money banks. Specifically, return on liquid assets is positively related to various proxies of executive compensation, except for cash compensation, which was not found to have a significant positive relationship. This study contributes to the expanding literature on executive compensation and provides insights into the development of uniform compensation packages for deposit money banks in Nigeria. The study recommends that a uniform compensation structure should be put in place by the regulatory authority, which will integrate the interests of executive directors, promote good corporate governance, and motivate bank executives to strive for higher financial performance.

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**Keywords:** Executive compensation, deposit money banks, financial performance, Nigeria, uniform compensation, corporate governance.

### **INTRODUCTION**

One of the major factors that attract high level of employees to any organisation, whether it is private sector or public sector, is the compensation packages offered by such organisation to their employees. Current and prospective employees tend to appreciate organisations that offer the most attractive packages. Compensation packages therefore provide incentives to attract good calibre of employees to any organisation. Therefore in this vein Erick, Kefah&Nyaoga (2014) noted that the executives who are not rewarded appropriately may not have the necessary motivation to perform in the best interest of shareholders which can be costly to the shareholders. They further maintained that remuneration to executives serve as an incentive that affects decision made and strategies adopted by an executive. Thus by extension, the quality of the performances of organisations depends on the quality of manpower that is engaged by such organisation. In agreement with the above, Jensen and Murphy (1990), noted that compensation policy is a major components of corporate governance and it is considered as acritical factor in attaining the objectives of the company. Arising from the above, it is evident that the compensation packages provided to the employees directly or indirectly affect the performance of the organisation.



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One of the pillars of corporate governance is the disclosure of remuneration packages of directors in the financial statements of companies. In the past, directors of companies were accused of paying to themselves huge packages thereby depleting the profit of such companies and turning in low returns to the owners of the businesses. Consequently, poor performances (returns) of such companies were attributed to the huge remuneration of directors. Thus as part of corporate governance policy, the remuneration of directors were not only to be disclosed in the financial statement but also to be seen to be moderate. Accordingly Omeregie and Klikume (2017) describes executive compensation as the remuneration packages offered to the Chief Executive Officers (CEOs) and other executives who are charged with the responsibilities of managing the affairs of the organisation. It is made up of salary, annual bonus, perks, stock option and restricted shares. In an organisation where there is weak corporate governance, the compensation of executives were determined by the CEOs themselves, however, where the corporate governance is strengthened they are usually determined by the board of directors of such companies.

The robust and cosy lifestyles of bank executives in the past have drawn negative criticisms from the stakeholders in the banking industry. This was particularly so when the performances of such banks were not correlated with these lifestyles. This raised so many fundamental questions. Corroborating this view, Omeregie and Kelikume (2017) opined that there is a general perception that the executive compensation of bank CEOs and executive is excessive and not correlated with the performance of the banks. Executive compensation affect the performance of firms in so many ways. Firstly, competent and experienced executives will always be attracted to firms that offer good packages or compensation. Thus the quality of the executive is expected to influence the performance of the organisation. Secondly, the executives would always make efforts to justify the huge compensation packages offered to them. Lastly, the quality of manpower attracted to the firm that offers good compensation packages will always attract additional goodwill to such firms. The assumed relationship between compensation packages offered to executives and performances of firms has attracted several academic studies. For instance Deysel and Kruger (2015) found that the correlation between the JSE Banking sector performance and CEO compensation was positive and statistically significant. Also Yamina and Mohamed (2017) examined the relationship between the overall executive compensation and corporate performance and found a link between the level of total executive compensation and improved performance. Oyerogba, Riro and Memba (2016) studied the impact of executive compensation on firm's profitability and found a significant positive relationship between the director's cash incentives, bonus issue of share and earnings per share. Furthermore, Barde & Zik-Rullahi (2020) studied the relationship between executive compensation and financial performance of banks in Nigeria and found that the CEO pay has statistical positive significant effect on performance of listed money banks in Nigeria, while the compensation made to chairman as well as that of highest paid director have negative influence on financial performance of banks. Further review of extant literature reveals that various authors adopted different measures to proxy performances. For instance, Olalekan and Bodunde (2015) adopted earnings per share as a measure of performance while Omeregie and Kelikume (2016) use customer deposit, returns on equity and equity asset ratio. These measures apart from customer deposit, are broad measures and do not give a true measure of performance of banks. However, to address these shortcomings in the measurement of performance in banks, this study adopts a different measures of performance known as return on liquid asset. The justification for this approach is that banks are established to mobilise funds from the surplus sector to deficit sector. Thus the earnings of money deposit banks should come mostly from returns from liquid assets. In this context, the liquid assets are those assets which are employed in generating



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the operating returns of the banks. Thus the liquid assets encompasses the cash and deposits that are usually given out as loans to further generate true returns on investment. Returns on liquid assets is calculated as the total interest receivable from cash and deposits expressed as a ratio of the total value of liquid assets. This study adopts this approach to avoid the complexities associated with measurement of performance in other methods. This approach will provide a moderating effect on the result of the study.

This study apart from contributing to the expanding literature executive compensation also addresses the gap in measurement of the performance as it will correctly evaluates the true relationship between compensation packages offered to executive directors and financial performance of deposit money banks. Also the result of Omeregbe and Kikelume (2016) argued strongly that compensation packages paid to directors of banks in Nigeria are not determined by the size of the bank, performance of the bank and capital strength of the bank, thus suggesting that some other factors other than performance determine the compensation made to executive directors of banks in Nigeria.

## ***Statement of the Problem***

Discussions on executive compensation have attracted different reactions from stakeholders in banking industry and it has also generated series of controversies as to whether bank executives deserve to be paid excessive compensation for their services. The executives who are responsible for turning the funds provided by the owners into profits usually engage in ventures that will promote the interest of shareholders. They go down for it if their actions result in losses to the firm. Thus they deserve commensurable compensation to mitigate against the risk they are exposed to. After all, if it was that easy the owners would have managed the funds by themselves. It is expected that to whom much is given much is also expected. Consequently, the huge compensation packages paid to executives of banks is expected to engender corresponding performances from them.

This study is therefore conducted to examine whether there is actually any relationship between the compensation packages paid to the executive directors and the performances of the money deposit banks in particular. To derive the true value of performances, a different approach of measuring performance is adopted instead of the usual return on equity, return on assets and profitability adopted by most of the researchers on this topic. However, in this study, a new dimension of performance is adopted. This is the return on liquid assets. Return on liquid assets can be defined as the earnings that are generated from deploying liquid assets of the financial institution. Money deposit banks are established with the objectives of mobilising funds from surplus sector to deficit sector. Thus, mobilisation of funds also known as financial intermediation is the main reason for establishing money deposit banks. Therefore the performance of banks can rightly be measured in terms of return on liquid assets.

The justification for this study stems from the many unanswered questions. Firstly as noted by Oyeregba, Riro and Memba (2016) there is no clear identification of compensation that is suitable to the executives. As a result, executive compensation are fixed arbitrarily. Secondly, various authors using different samples have arrived at the varying contradictory results thereby making it difficult to derive consistent conclusion with regard to the relationship between executive compensation and performance. Finally as observed by Vives (2000) as cited Oyeregba, Riro and Memba (2016) it is difficult to clearly identify the form and types of compensation that best maximizes performance and value of firms. As observed in Nigeria, Money Deposit Banks (MDBs) adopts different forms of compensation apart from bonus, cash and stock. For instance the perquisite of office could be a very important factor which is often ignored. This work will adopt the earlier three variables and the perquisite factor as the fourth variable. The perquisite of office



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compensation encompasses the provisions made to enhance the functions of executive officers. These include provision of official residence, official cars, domestic staff, holidays and other personal comfort provided for the executive officers.

This work will contribute to knowledge in several ways. Firstly, it will add to the existing literature on the role of executive compensation. Secondly, it will contribute to knowledge by helping to contribute to the endless search for ideal compensation package suitable for money deposit banks in Nigeria. Thirdly, the work will help to allay fears of stakeholders that the executive compensations are not actually arbitrary but reward based. It will create the pathway to follow on proper and adequate compensation of executives. Fourthly, the banking sector plays a critical role in the economic development of any nation. Consequently, issues of compensation when not properly addressed will affect the operations of banks. Thus by extension, when the issue of compensation made to executive directors is not properly addressed, may adverse effect on the economic development of the nation. Lastly, the agency as well as information asymmetry problems associated with suspicion of excessive remuneration by the executive directors of banks will be addressed.

## **Objectives of the study**

The main objective of this study is to examine the relationship between executive compensation packages and the performance of money deposit banks.

Other subsidiary objectives to be achieved in the study areas stated hereunder.

1. To examine the relationship between the bonus compensation and return on liquid assets.
2. To examine the relationship between cash compensation and return on liquid assets.
3. To examine whether there is any relationship between stock option compensation and return on liquid assets.
4. To examine the relationship between perquisites of office compensation and return on liquid assets of money deposit banks.

## **Research Hypotheses**

In order to achieve the objectives of this study the followings hypotheses are postulated: H<sub>1</sub>: There is no significant relationship between bonus compensation and return on liquid assets in money deposit banks.

H<sub>2</sub>: There is no significant relationship between cash compensation and return on liquid assets in money deposit banks.

H<sub>3</sub>: There is no significant relationship between stock option compensation and return on liquid assets.

H<sub>4</sub>: Executive perquisites compensation are not significantly related to return on liquid assets.

## **REVIEW OF RELATED LITERATURE**

### **Concept of Executive Compensation**

Compensation packages refer to all the salaries, allowances and terminal benefits offered to chief executives and other executives of firm for their services to the entity. As noted by Omoregie (2016) executive compensation is seen as the remuneration package awarded to Chief Executive Officers (CEOs) and other executives who are charged with the responsibilities of managing the affairs of the firm. The compensation offered to the executives are usually fixed by the board of directors of the firm. However, there are evidences that the executives paly a very important in the determination of the compensation packages. This implies that the executives are directly or indirectly responsible for the determination of their compensation packages. This is the more reason for various concerns. Nulla (2015) avers that various stakeholders tend to blame the boards of companies on the excessive compensation paid to executives noting that the current incentive-schemes are flawed and do not correlate with company performance. He further argued that



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remuneration packages offered to executive directors should be based on performance and not sector specific, environmental and social governance criteria. In the same development, Farouk, Nafiu&Shehu (2015) posited that executive compensation is made up of both financial and non-financial compensation/rewards offered to the executive from their firm for services rendered to their firm.

Several factors apart from performance have often been adduced to determine the compensation paid to executives such as the nature of the industry, the culture of the market, the company evaluation system in terms of short-term cash compensation system versus longterm equity compensation, firm's earning level and analyst's expectations, the nature of contract of the executives and firm's equity position in the firm's capital structure (Nulla, 2015). Barde and Zik-Rullahi (2020) argued that when executive own large shares in the organisation in which they manage, their interest will be aligned with that of other shareholders and as such act in the best interest of the organisation to the attainment of highest performance. There are arguments that the excessive compensation paid to the CEOs have led to the financial crises of banks. As noted by Yusuf & Abubakar (2014) the issue of executive compensation came to limelight as a result of the perceived lavish and reckless lifestyles which resulted in huge non-performing loans. Another critical factor is the high level of risk undertaken by the CEOs in order to justify the huge expectations from stakeholders. They desperately engaged in high level risks which eventually put pressure on the banks such as offering loans that were not properly mitigated for default. In a desperate move to justify the huge compensation demand which are performance driven, the executives were driven to embark on activities which were unethical and inimical to the future progress of banks (Barde&Zik-Rullahi, 2020).

The importance of compensation cannot be overemphasized. Thus Groysberg, Abbott, Marino and Askoy (2021) documented that when compensation is properly managed, it will align people's behaviour with the company's strategy and generate better performance. On the other hand, when it is managed poorly, the effect can be devastating such as loss of key talent, demotivation, misaligned objectives and poor shareholder's returns. Husni, Rahim and Aprayuda (2019) documents that when proper compensation is offered to executive directors, it becomes a potent mechanism that company owners need to deal with agency conflicts which is usually caused by information asymmetry that may occur within companies. Consequently, when higher the remuneration packages are offered by companies there is the tendency of minimizing risk and improve management performance.

## **Components of Executive Compensation**

The compensation paid to executives can be categorised into two: financial compensation and non-financial compensation. The financial compensation comprises all the rewards that are paid in cash to the executives. They constitute the salaries, the bonuses, the shares and other benefits that accrue to the executives either yearly or monthly. The non-financial compensation comprises of the perquisites of office such accommodation, cars, stewards and other benefits attached to executives but which are not translated to cash.

**1. Cash compensation packages** – This can be described as the totality of cash payments made to executive in a year while being engaged on a full time employment. Generally, the cash compensation is usually contained in a predetermined and negotiated contract during the time of engagements. Thus the employees will always be conscious of what they are entitled to before acceptance of the offer of employments. Cash compensation is a very important motivator to the executive. Consequently, Husni, Rahim and Aprayuda (2019) maintained that attractive cash compensation will induce executive directors to strive to improve performance of companies. Also Ballachandran, Kogut and Harnal (2010) documented that



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when higher cash compensation with basic salary, bonuses, benefits and special allowances are given to directors, there is a likelihood of better performance by directors which will culminate in improvement in company performance.

**2. Bonus compensation** – Bonus compensation represents the extra payment of certain percentage of part of profit of the company to the executive members as a reward for their efforts in the performance of the company. The bonus compensation is usually made by issuing either a certain percentage or amount as a proportion of the profit generated by the company within the period under consideration. Bonus compensation is often adopted to reward employees that have met certain performance targets. It can be paid in monetary or nonmonetary terms. It usually come in different forms such as profit-sharing bonus which involves payment of certain percentage of profit to employees, annual performance bonus which involves reward to employees for their contributions, as well as task-bonus which involves payment bonus after completion of certain task. Generally, the main function of bonus payment or reward is to motivate employees to continue to put in their utmost best in the attainment of organisational objectives. They are often used as incentives to encourage more hard work.

**3. Stock compensation** – Stock compensation represents the issuance of equity capital to the executive thereby making them part owners of the business. Oftentimes companies have adopted this method of compensation particularly to executives as a way of making them to have a stake in the company. This is expected to motivate them to work assiduously to the overall success of the company since they are part owners of the company. Issuance of stock or shares to executives of companies have two main objectives. First it creates an avenue for the executives to be part owners of the companies. Secondly, it motivates the employees to work harder having been rewarded by share issue.

The overall objective is to increase performance through increased motivation. It is expected that when executives are properly compensated they will work harder and achieve greater performance. Apart from increased productivity of employees, bonus compensation increases staff loyalty and increases employee retention thus reducing labour turnover. As documented by Barde and Zik-Rullahi (2020) the interests of executives may be aligned with that of other stakeholders when they own large shares in the organization in which they manage, and as such may act in the best interest by ensuring higher financial performance.

**Perquisites of office compensation** – These are tangible privileges, gains or facilities provided to the employees to enhance the performances of their duties. They are fringe benefits that are received over and above employee's salary. These include official cars, accommodation, newspaper allowance, dressing allowance and house helps. They also include fuelling of official cars, home appliances, generator as well as those facilities that are provided to executives in order to facilitate their work. Their main objectives of this kind of compensation is to provide conveniences to the executives and this in the long run motivate the executives to perform better.

### ***Empirical Literature***

Oyeregba, Riro and Memba (2016) considered director's cash incentive, director's non-cash incentive and director's equity based incentive to proxy executive compensation, while the dependent variable was earnings per share. A sample of seventy selected firms were used in the study. Their findings reveal that variables exhibited a positive but insignificant relationship between director's non-cash benefits and earnings per share while there was a significant relationship between share bonus and earnings per share. Nulla (2015) studied the relationship between executive compensation and firm's performance among NYSE between 2005 and 2010. The result of the analysis indicates a mixed correlation between CEO salary,



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CEO bonus and return on assets. The results also showed that the correlation between CEO salary, CEO bonus and return on equity were found to be mixed ratios. The study concludes that the executive compensation is very complex and may include quantitative and qualitative factors that are difficult to measure. Barde and Zik-Rullahi (2020) studied the relationship between executive compensation and financial performance of banks in Nigeria. Their findings reveal that the CEO pay has statistically significant and positive effect on financial performance of listed money deposit banks in Nigeria, while chairman's compensation and highest paid director's compensation have negative influence on financial performance of banks in Nigeria.

Aduda (2015) carried out a study on the relationship between executive compensation and performance of firms in commercial banks listed in the Nairobi stock exchange. Using regression model to relate CEO pay and performance, the study found that measures of performance are not a considerate determinants of compensation of CEOs in larger commercial banks in Kenya. However, the size of firm was considered important criteria which determine compensation of executives.

Kurum (2015) conducted a study to ascertain the relationship between CEO remuneration and bank's size and performance. The CEO remuneration and bank size were proxied by sales, deposits and employees; while bank performance was measured by return on assets (ROA), return on equity (ROE) and profit margin. The result of analysis indicated a strong positive correlation between CEO remuneration and bank size. However, it was difficult to establish the existence of a strong positive relationship between CEO compensation and bank performance. Fubara (2019) examined the relationship between compensation and employee performance of banks operating on Port Harcourt utilising cross sectional survey design with data obtained from well-structured questionnaires, the result of analysis of the data indicate that compensation has significant positive relationship with employee performance.

Husni, Rahim and Aprayuda (2019) investigated the effect of cash compensation, corporate governance, ownership and dividend policy on the performance of banks in Indonesia. The data for the study were obtained from the financial statements of 33 banks for the period 2013 to 2018. The data were analysed with regression and random effect. The result of the regression shows that executive compensation have significant positive effect on company performance, the proportion of compensation received by executive tended to have a direct impact on firm value. They also found that cash compensation have positive influence on company performance. The result indicate that cash compensation paid to executive will impact on company performance.

## Theoretical Framework

This study is anchored on agency theory. The agency theory was made popular by Jensen and Meckling in 1976. They considered the shareholders or owners of companies as principals which appoint the managers as agents to manage the companies in the best interest of the owners. The directors are supposed to take decisions that are in the best interest of the owners of the firms they are managing. However, there are conflicts of interest when it comes to the issue of executive compensation. The conflict of interest arises when the executive directors fixed salaries for themselves that are considered not to be in the best interest of owners of the business. There have been insinuations of agency and information asymmetry problems where the managers take advantage of their managerial positions to determine their compensation to the detriment of the shareholders. The issue of executive compensation has attracted a lot of suspicion from the shareholders. The directors have been accused of attributing to themselves huge and bogus compensation



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which enable them live big and flamboyant at the detriment of shareholders. The study is therefore intended to address the information asymmetry conflict.

## METHODOLOGY

This study employed secondary data and consequently, *ex-post facto* research design was adopted. The data for this study were obtained from the financial statements of five randomly selected deposit money banks in Nigeria for the period 2015 to 2019. This period was selected because the activities of capital market have fully recovered and it is believed that the earnings of the banks are not artificial or caused by other factors.

### Model developments

The main objective of this study was to examine the relationship between performance of selected deposit money banks and the compensation packages paid to executives of banks. The independent variables which is the compensation (COMP) is proxied by cash compensation (CACOMP), bonus compensation (BOCOMP), stock compensation (STCOMP) and perquisites of office compensation (PERCOMP). The dependent variable which is the performance of banks was proxied by return on liquid assets (RELA). The liquid assets is expressed as the ratio of profit investible funds. Thus the first model express the relationship among independent variables as follows:

$$COMP = f(CACOMP, BOCOMP, STCOMP, PERCOMP) \quad - \quad (i)$$

The second model expresses the relationship between dependent and independent variables as follows:

$$RELA = f(COMP) \quad - -$$

(ii) The third model incorporates the other two models as follows:

$$RELA = \beta_0 + \beta_1 CACOMP + \beta_2 BOCOMP + \beta_3 STCOMP + \beta_4 PERCOMP + \varepsilon \quad - - - \quad (iii)$$

The values of  $\beta_0$ ,  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  respectively will be obtained from the result of analysis. The error term is represented by  $\varepsilon$ . This is included to measure other factors that affect performance but not captured in the model. The data was analysed through descriptive statistics and multiple regression; using SPSS version 20.

## RESULTS OF ANALYSIS

The results of the analysis of data are as indicated in table 1 below.

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.766 <sup>a</sup>	.587	.504	19908388.58426

a. Predictors: (Constant), PERCOMP, CACOMP, STCOMP, BOCOMP

From the result of analysis, the coefficient of determination stood at 0.766 while the adjusted coefficient of determination stood at 0.504. This implies that 50.4 percent of changes in the performances of deposit money banks is accounted for by changes in executive compensation.

The correlation coefficient of the relationship between cash compensation and return on liquid assets stood at 0.172. This shows a low positive but insignificant relationship between cash compensation and return on liquid asset. This is possible as in most cases salaries do not necessarily create the much needed motivation. However, a correlation coefficient of 0.569, indicating a high positive significant relationship between bonus compensation and return on liquid assets was recorded. Moreover, a correlation coefficient of 0.618 was recorded for the stock compensation and return on liquid asset. This shows a high positive significant relationship between stock compensation and return on liquid asset. Finally, the coefficient of 0.523 was recorded for the relationship between perquisites compensation and returns on liquid asset. This also shows



a high positive significant relationship between perquisites of office compensation and return on liquid assets of deposit money banks in Nigeria.

### Correlations

	RELA	CACMP	BOCOMP	STCOMP	PERCOMP
Pearson Correlation	1	.172	.569**	.618**	.523**
RELA Sig. (2-tailed)		.410	.003	.001	.007
N	25	25	25	25	25
CACMP Pearson Correlation	.172	1	.171	-.069	.074
CACMP Sig. (2-tailed)	.410		.415	.741	.725
CACMP N	25	25	25	25	25
BOCOMP Pearson Correlation	.569**	.171	1	.368	.467*
BOCOMP Sig. (2-tailed)	.003	.415		.071	.019
BOCOMP N	25	25	25	25	25
STCOMP Pearson Correlation	.618**	-.069	.368	1	.297
STCOMP Sig. (2-tailed)	.001	.741	.071		.149
STCOMP N	25	25	25	25	25
PERCOMP Pearson Correlation	.523**	.074	.467*	.297	1
PERCOMP Sig. (2-tailed)	.007	.725	.019	.149	
PERCOMP N	25	25	25	25	25

\*\* . Correlation is significant at the 0.01 level (2-tailed). \* . Correlation is significant at the 0.05 level (2-tailed).

### DISCUSSION OF FINDINGS

From the model earlier developed for this study the results of regression analysis indicate that the beta factor for cash compensation stood at 0.141. This indicates that 14.1 percent changes in return on liquid asset is accounted for by changes in cash compensation paid to executives. Also, the beta factor for bonus compensation stood at 0.257 indicating that 25.7 percent of changes in return on liquid asset is accounted for by changes in bonus paid to executives; the beta for stock compensation stood at 0.457 which indicates that 45.7 percent change in return on liquid asset is caused by changes in stock compensation paid to executives; and the beta factor for perquisites of office compensation stood at 0.257 indicating that 25.7 changes in return on liquid asset is accounted for by changes in perquisites paid to executive directors.

The various results of analysis indicate that there is low positive (0.172) but insignificant relationship between cash compensation and return on liquid asset. This is possible as basic salary alone cannot excite the executive and spur them into greater productivity. Also the results shows high positive and significant relationship between bonus compensation (0.569), stock compensation (0.618) and perquisites of office compensation (0.523) and return on liquid assets. The results of the analysis are consistent with prior studies. For instance Barde and ZikRullahi (2020) found that the CEO pay has positive significant effect on financial performance. Also Oyeregba, Riro and Memba (2016) found a significant relationship between share bonus and earnings per share. Same results were obtained by Nulla (2015) and Husi, Rahim and Aprayuba (2019).



**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	10322240.599	11114265.932		-.929	.364
CACOMP	24.658	25.763	.141	.957	
1	159.106	106.569	.257	1.493	.350
BOCOMP	1069.640	370.186	.457	2.889	.151
STCOMP	100.917	64.646	.257	1.561	.134

a. Dependent Variable: RELA

**CONCLUSION AND RECOMMENDATIONS**

From the results of analysis of data and their interpretation thereof, the study concludes that executive compensation is positively related to financial performance of deposit money banks in Nigeria. The implication of the conclusion is that increase in executive compensation is expected to lead to increase in financial performance of deposit money banks. In this regard, increased compensation would motivate the executives to constantly strive to take decisions that will lead to improvement in financial performance of banks. Review of extant literature has indicated absence of uniformity in the cash compensation paid across various banks in Nigeria. This has made the executives to continuously lobby the board of directors for increased compensation packages and where possible they unilaterally fixed their compensation as they like. This has constantly created suspicion and feud between the shareholders of banks and executives. Consequently, in order to avoid such agency crisis, a uniform compensation structure should be put in place by the regulatory authority which is the Central Bank of Nigeria (CBN). Deposit money banks should develop compensation policy which integrates the interest of executive directors, promote good corporate governance and at the same time motivate the bank executives to strive for higher financial performance.

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