
CEO Pay and Financial Performance: Evidence from Deposit Money Banks in Nigeria

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Abstract

The study is on the relationship between CEO pay and financial performance of banks in Nigeria from 2008 to 2022. In establishing the relationship, correlational research design was employed. The study aimed to investigate the impact of CEO Pay on Financial Performance of DMBs in Nigeria. The research encompasses listed banks in Nigerian. Utilizing secondary data from annual reports and accounts, a panel regression using feasible generalised least square FGLS was used to test the hypotheses due to presence of heteroskedasticity since Hausman and Lagrange Multiplier test choose random effect. The study was anchored on pay performance theory on the two models of financial performance which include NIM and Tobin's Q. The findings reveal that CEO compensation have a negative and significant relationship with financial performance of banks in Nigeria. However, the study could not establish any relationship between chairman compensation and financial performance. The study's findings yield recommendations for enhancing financial performance of Nigerian banks. The study recommends a need for control on CEO Pay of banks as these are vital to the financial performance of banks in Nigeria.

Keyword: Financial Performance, CEO Pay, Executive Compensation

Introduction

The efficacy of organizations holds significant weight for stakeholders, serving as a barometer for the effectiveness of a company's day-to-day operations. Among the primary objectives of company management is the enhancement of both current and future performance, as it directly influences market value per share and, subsequently, shareholder wealth. Strong performance prompts investors to reevaluate the company, potentially driving up its stock price. In the banking sector, performance serves as a gauge of executives' adeptness in resource utilization. Given the critical role of the banking sector in the Nigerian financial system, ongoing reforms are being implemented to boost operational efficiency within the industry.

Consequently, company executives, as appointed agents of the shareholders, are obligated to manage the company in the shareholders' best interests, rather than for personal gain. Their compensation is intended to incentivize them to play a pivotal role in enhancing firm performance. Despite its significance, research on the correlation between compensation and performance remains insufficient, necessitating further studies, especially since many banks in Nigeria struggle with performance issues.

In addition, executive compensation is increasingly becoming a target by media, shareholders, policy makers and government regulators which saw the Central Bank of Nigeria (CBN) in its prudential guidelines for the financial services sector requiring all compensations and bonuses paid and payable to the executives including profit sharing arrangements and share options to be fully disclosed in the annual audited financial statements. It has been questioned why executives continue to receive bonuses and other

benefits despite the fact that their companies are making losses and decreasing shareholder value (Okpo et al, 2023).

In more recent years, there has been a debate about the level of compensation and the bonuses given to chief executive officers triggering their rationality and justifications (Okpo et al 2023). This has necessitated further research in the subject area particularly in the period under consideration. One may ask, are these Chief Executive Officers CEOs being paid for their performance or is it just a trend being followed? In the past, CEOs pay have been increased without being justified by their performances (Sanchez-Marin et al, 2022). They further asserted that Countries like Britain and Spain have developed new legislations like “say on pay” to control the pay of the chief executive officer and influence it through the voice of the shareholders. However, the debate of executives being paid exorbitant sums is not a new one. Investors expect the CEO who is being paid high to perform and prove his worth. Conventionally the executive compensation had been linked to performance and it was deemed that the high pay for a CEO (for his expertise) was justified. But there has been an exponential increase in all the pay levels of CEOs irrespective of their performances (Reddy, 2023).

It is also believed that when executives own large shares in the organization in which they manage, their interest may become aligned with that of other shareholders and as such act in their best interest by ensuring higher financial performance (Liu & Xiao, 2023). Higher percentage of shares held by executive directors is expected to translate into higher returns for them. With this in mind, the executive will pursue increased financial performance in order for their investment through share ownership to attract higher returns. Based on this argument, if executives are highly compensated and at the same time such executives have higher interest in the organization, it goes a long way in improving the financial performance.

In spite of the studies that have been carried out on executive compensation and performance in the past, the issue remains contemporary and burning in literature with conflicting views necessitating further studies (Ahmed et al, 2020). During the period under consideration, corporate scandals such as financial misconduct, fraud embezzlement, insider trading, corruption and unethical behaviour are still noticeable in the sector as lately observed by the head of the Economic and Financial Crime Commission. Therefore, there is a need to conduct this study to examine the effect compensation has on banks’ financial performance in Nigeria. Most listed deposit money banks in Nigeria have suffered poor financial performance and this has led to either mergers or acquisitions by other banks (Okpo et al, 2023). Hence, this makes it imperative to investigate the extent to which the compensation of executives can affect the financial performance of these banks.

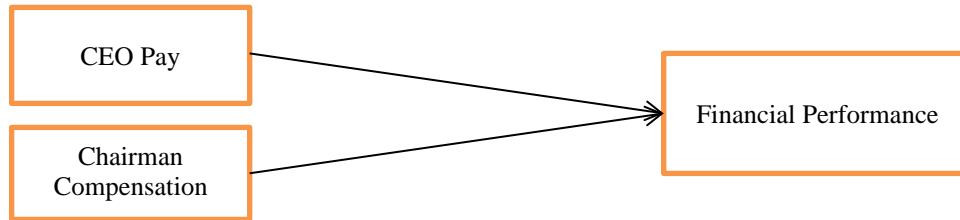
Based on the argument above therefore, this study formulates the following hypotheses to achieve the objectives of the study.

- i. H01: CEO Pay has no significant effect on the financial performance of listed banks in Nigeria.
- ii. H02: Chairman’s compensation has no significant effect on the financial performance of listed banks in Nigeria.

Conceptual Framework

The dependent variable is financial performance, which is the variable of primary concern, in which the variance (changes) will be attempted to be explained by the two independent variables: CEO Pay and Chairman Compensation. This relationship is diagrammatically represented below.

Figure 1: Research Framework



Source: Author's design, 2024

Conceptual Review

Executive Compensation

Executive compensation is interchangeably used with executive pay or remuneration and comprises salary and incentive pay (Okpo et al, 2023). They argue that incentive pay may include cash and non-cash rewards; it is an important part of finance and accounting which is yet to attract much attention in developing countries like Nigeria. Compensation normally takes the form of basic pay such as salary or non-financial rewards (Yamina & Mohamed, 2017). Emmanuel et al (2017) argue that the objective of compensation is to motivate, attract and retain good people for the attainment of the organizational goal.

There are several descriptions of compensation. For example, Qiao and Wang (2016) describe compensation with its goals and as an individual subjective experience to include a two-way process belonging to the organisation and its members, which is beneficial to both parties; a tool to help the management support the company's strategy and goals; and a message to the organisation top management and supports behaviour.

For the purpose of this study, compensation refers to all forms of incentives statutorily or otherwise paid to executive officers involved in managerial, operational, and technical functions in an organization with a view to rewarding and motivating them for enhanced performance. However, this study will adopt the classification of compensation given by Jensen et al (2004) which categorizes them into company's cash payments which include time-related fixed pay, pension, and performance-based pay, the other type is related to equity-based pay which they argued includes options and share-based compensation.

Financial Performance

Performance measures are either financial or operational. The choice of the alternatives to approaching performance (either operational or financial) according to Turakpe and Fiiwe (2017) is dependent upon the objectives that are set, thus the assessment of firm performance using financial indicators must be complemented by an assessment based on non-financial indicators; currently, there is a tendency to assess performance based on value creation, yet counted to be the goal of sustainable development.

Nhon (2018) defines financial performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. In agreement with this, Zhou & Bu (2020) assert that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It believes that many firms' low performance is the result of poorly performing assets. Financial performance is defined as a company's ability to attain planned outcomes as measured against its projected outputs. It comprises results related to shareholder return, market performance, and financial performance (Khursheed & Sheikh, 2022).

According to Olorede et al (2022) financial performance such as profit maximization, maximizing profit on assets, and maximizing shareholder's benefits are the core of the firm's effectiveness. Operational performance measures such as growth in sales and growth in market share provide a broad definition of performance as they focus on the

factors that ultimately lead to financial performance. The measurement of performance is dependent upon the information introduced in the measurement system and the instrument employed. According to Turakpe and Fiiwe (2017) the classical indicators used in financial analysis to measure performance have been the ROI, Leverage, ROE operating expenses ratio, and assets turnover. The choice of alternatives for ascertaining performance may be influenced but the firm objective. The assessment of firm performance using financing indicators that express the equality of management, corporate culture, the effectiveness of executive compensation policies, the quality of shareholder communication system, etc. Presently, there is a trend towards assessing performance based on value creation, subsumed under the goal of sustainable development (Chen et al, 2023). This will enable the measurement of organizational performance to be more encompassing and rewarding to the management and employees of the organization so valued.

Literature Review

CEO Pay and Financial Performance

Some of the empirical literature on CEO pay and performance is Qiao and Wang (2016) where they examine the effect of Executive Compensation of State-owned Listed Companies on Corporate Financial Performance. 80 companies in Shanghai and Shenzhen in 2013-2015 were selected as research samples, and the correlation analysis was used to confirm whether there was a significant correlation between executive compensation and the financial performance of companies. Linear regression analysis is conducted and it was found that a relationship exists between executive compensation and financial performance.

In addition, Khursheed & Sheikh (2022) investigate whether compensation (i.e., salary, bonus and allowances) offered to chief executive officers and executives affect the performance of Takaful (i.e. Islamic insurance) companies in Pakistan. Data was collected from annual reports of Takaful companies during 2007-2015 to estimate the relationship between compensation and accounting-based performance measures including return on assets (ROA), return on equity (ROE) and earnings per share (EPS). Results indicate that compensation offered to CEOs and executives is statistically significant and negatively related to all performance measures.

Kayani and Gan 2022 examined the relationship between executive compensation and firm performance in Asia Pacific firms from 2007–2019. They used total salary, compensation, and bonuses paid to the CEO as a measure of executive compensation. ROA and Tobin's Q were used to measure firm performance. Results showed a positive relationship between firm performance and total compensation paid to CEO and total salaries and bonuses paid to the CEO. These results support the agency theory by confirming that higher CEO compensation will lead towards higher firm performance by motivating executives to maximize shareholder benefits. However, the total salary does not have any significant relationship.

Mukherjee and Sen (2022) investigated the impact of CEO attributes on corporate reputation, financial performance, and corporate sustainable growth in India. Using static panel data methodology for 138 non-financial companies over the time frame 2011 to 2018, the results show that female CEOs and CEO remuneration are associated with corporate financial performance positively, whereas CEO busyness, holds a significant negative relationship with corporate financial performance. In addition, the results demonstrate that CEO age is associated with corporate sustainable growth negatively, while tenure appears to have a significant and positive association with corporate sustainable growth.

Okpo et al (2023) examined the effect of pay packages of executive directors on the financial performance of deposit money banks. Executive compensation was proxied by cash, bonus, stock, and perquisites of office compensation. The dependent variable was proxied by return on liquid assets. Data were extracted from the financial statements of five randomly selected deposit money banks in Nigeria for years 2015 to 2019 and analysed with correlation and regression. The results of analysis show that the return on liquid assets was significant and positively related to various proxies of executive compensation.

Huang (2023) studied the effect of executive compensation on bank risk based on a sample of banks listed in China. The finding results suggested that bank executive with higher compensation tends to take more risk after showing a significantly positive relationship between executive compensation and bank risk.

Chairman's Compensation and Financial Performance

Hart et al (2015) investigate the relationship between top management team compensation disparity and corporate social performance. They argue that pay structures with high disparity are reflective of transactional, individualistic organizations that foster a shareholder orientation. In contrast, pay structures with low disparity are indicative of relational, cooperative organizations that foster a stakeholder orientation.

Raithatha and Komera (2016) examined the relationship between executive compensation and firm performance among Indian firms. The study period is from 2002 to 2012. The study found that firm performance measured by accounting, as well as market-based measures, significantly affects executive compensation. The study also tested for the presence of persistence in executive compensation by employing the system generalized methods of moments (GMM) estimator. They found significant persistence in executive compensation among the sample firms. Further, the study reports the absence of a pay-performance relationship among the smaller sample firms and business group-affiliated firms.

Akewushola and Saka (2018) examined financial performance as it affected executive compensation system. The study applied panel data regression model and the research findings revealed that profitability, size of firm, return on equity and return on investment have significant influence on what is to be paid as executive compensation. However, it was observed that profitability has a greater influence on executive compensation.

Onakoya et al (2018) carried out a study to present a data set on the influence of managerial incentives on bank performance in selected Deposit Money Banks (DMB) in Nigeria. From the panel data collected and analysed, results showed that three managerial incentives show a negative significant influence on bank performance in selected deposit money banks in Nigeria while one managerial incentive showed a positive significant effect on bank performance.

Sánchez-Marín et al in 2022 studied the influence of governance mechanisms on excess executive compensation comparing a set of listed UK and Spanish firms on an 8-year panel data. Findings indicated that Spanish firms are characterized by higher excess executive compensation than UK firms because of the less effectiveness of ownership structure and board of directors. Differences in concentration and structure of ownership as well as in composition and size of boards result in more aligned executive compensation design in UK firms.

Methodology

The study adopts the quantitative and the deductive approaches as the data for the variables are in figures which positivist paradigm. The positivist paradigm allows the researcher to know the extent to which a measurement or procedure gives the correct answer (Validity),

it also permits repetitive procedure that gives the same answers (Reliability), and finally, it enables the researcher to be able to generalize the findings (Generalization).

The study employed correlational research design. The design for the study is considered appropriate, because the study is a relationship study. The population of the study is the entire listed banks in Nigeria as at December 31st, 2022. Some criteria were adopted to arrive at the sample size for the study which include: i) the bank should have been listed before, during, and throughout the period of the study; ii) the bank should not be in the process of any takeovers/mergers as at the time of carrying out the study. Thus, 13 banks meet these criteria as outlined. This study utilised secondary data sources. The secondary data was obtained basically from the published annual reports and accounts of the listed Deposit Money Banks in Nigeria that represent the sample of the study.

Model Specification

The following models have been adapted from Abdeljawad and Bahlaq (2023) following the works of literature reviewed in respect of the variables.

$$NIM_{it} = \beta_0 + \beta_1CEOP_{it} + \beta_2CCOM_{it} + e_{it} \dots \dots \dots (i)$$

$$Tobin's Q_{it} = \beta_0 + \beta_1CEOP_{it} + \beta_2CCOM_{it} + e_{it} \dots \dots \dots (ii)$$

Where:

NIM = Net Interest Margin (Financial Performance)

Tobin's Q = Tobin's Q (Financial Performance)

CEOP = CEO Compensation

CCOM = Chairman's Compensation

e = Error term

i and t = banks i and year t

$\beta_1 - \beta_2$ = Coefficients of the Explanatory Variables

Method of Data Analysis

Panel regression technique is employed for the study. A regression is used in assessing the effect of directors' compensation on financial performance of listed deposit money banks in Nigeria. The feasible generalized least square is used on the random effect models due to the presence of heteroskedasticity in the NIN model. The study utilized Akaike information criterion on the regression to access the effect of two scenarios of the models and how the independent variables impact the dependent variables under these models. The estimation used Stata 13 platform for analysis because this package is more informative, that is, it provides variability, less collinearity and more degrees of freedom.

Table 2: Variables and Measurement

Variable	Status	Measurement	Sources
Performance	Dependent	Net Interest Margin and Tobin's Q	Abdeljawad & Bahlaq (2023); Abdallah & Bahloul (2023)
CEO Pay	Independent	The pay of the CEO	Reddy (2023); Zhou & Bu (2020)
Chairman's Compensation	Independent	The compensation of the Chairman	Nzunga (2022); Chen et al (2023)

Source: Author's compilation, 2023

Descriptive Statistics

The following Table 3 presents the descriptive statistics where the minimum, the maximum the mean, the standard deviation, the skewness and the kurtosis of the data set for the variables used in the study are described.

Table 3: Descriptive Statistics

Variable	Min	Max	Mean	Sd	Skewness	Kurtosis
NIM	-20543	1	-105.0951	1471.133	-13.85659	193.005
Tobins Q	0.018067	0.854294	0.280987	0.206677	0.826023	2.80927
CEOP	0	577	89.46667	84.84712	2.252768	10.7476
CCOM	0	107000	15719.67	18597.14	1.739759	6.39459

Source: Stata Output, 2023

Table 3 reports the descriptive statistics for the dependent and independent variables. While the dependent variables are financial performance measured as net interest margin (NIM) and Tobin’s Q. The independent variables are: CEO compensation (COEP) and chairman’s compensation (CCOM). The result shows that NIM and Tobin’s Q of banks in Nigeria has a mean values of -105.0951 and 0.280987 respectively, implying that it gives a negative value for NIM and positive value for Tobin’s Q, which indicates loss and gains for the banks in respect of NIM and Tobin’s Q respectively. Their standard deviations are 1471.133 and 0.206677 respectively. This implies that, the variation of the data set in the variables is moderates since the value of the standard deviations are closer to the mean value. Also, considering the minimum and maximum values of -20543 and 1, 0.018067 and 0.854294 therefore, it implies that at some point within the study period, at least one of the firms used in the study has reported a loss.

Meanwhile, the skewness and the kurtosis for NIM and Tobin’s Q are -13.85659 and 193.005, 0.826023 and 2.80927 respectively, suggesting that the values are within the range of skewness and kurtosis assumptions. Even though the data of the explained variables seem to be kurtotik, the standard deviation of the data set falls within 3 standard deviation which shows that 99.7% of the observed data indicates a normality distribution of the said data based on Gaussian theory of normality (Vargha, Bergman, & Delaney, 2013).

In the case of CEO compensation, the minimum and maximum values are 0 and 577 respectively. This implies that, the minimum pay for the CEO is zero Naira from the data set of the study. The skewness and kurtosis values of the variable are 2.252768 and 10.7476 respectively which means that the data meet the kurtosis assumption since the value averagely fall within acceptable range. In addition, the standard deviation has a value of 84.84712 for the CEO compensation, which implies that the data set is not much spread form the mean since the mean is 89.46667.

In the case of chairman’s compensation, Table 3 shows an average of 15719.67 with minimum and maximum values of 0.00 and 107000 respectively. This means that some banks in Nigeria did not compensate their chairmen. The average value of the variable implies that, an average bank compensates its chairman to the tune of ₦107,000. Going by the coefficient of kurtosis, the value of 6.39459 suggests that most of the values are higher than mean, and the data set meets a normal distribution assumption while the skewness value of 1.739759 implies that the data is not skewed which indicates most of the elements in the data are normal although close to zero thus, implying that the data set meets the symmetrical distribution assumption.

Correlation Matrix

Table 4 presents the correlation matrix where the relationship between the dependent variable and the explanatory variables and the relationship among the explanatory variables themselves are analysed.

Table 4: Correlation Matrix

	NIM	Tobin's Q	CEOP	CCOM
NIM	1			
Tobin's Q	0.0450	1		
CEOP	0.0547	-0.13380	1	
CCOM	0.0531	-0.02000	0.3285	1

Table 4 is the correlation matrix that shows the strength and the direction between the dependent variables net interest margin (NIM) and Tobin's Q and the explanatory variables which include CEO Pay (COEP) and chairman's compensation (CCOM).

The table shows that on one hand all the explanatory variables are either positively or negatively weak associated with NIM and Tobin's Q since they are all less than ± 0.5 . This suggests that it is possible to undertake a study in the area, since correlation exist between the each of the explanatory factors and both NIM and Tobin's Q in respective of the strength of the relationship (Vargha et al., 2013).

On the other hand, understanding the extend of the correlation between the explanatory variables themselves is also important as it provides a signal to the possibility of the existence or absence of multicollinearity. Though no conclusion can be made until the Variance Inflation Factor (VIF) test is conducted. From the table, the correlation between chairman's CEO Pay (COEP) and Chairman Compensation (CCOM) is found to be positively and weakly correlated with the correlation value of 0.3285. This implies that, the above independent variables seem to be free from multicollinearity since their correlation co-efficient are all greater than to 0.5. However, only when VIF is conducted, the study will not conclude that multicollinearity exist.

Diagnostic Tests

This study conducted the following diagnostic test; multicollinearity test to identify if there are high correlations among independent variables, which can cause issues in regression models, heteroscedasticity test to check for the presence of non-constant variance in the residuals, Hausman specification test to select between fixed and random effect model and Breusch Pagan Lagrange multiplier test to select between random effect and pooled OLS model provided random effect was selected based on the Hausman test result.

Multicollinearity Test

This test was carried out to check whether there is high correlation between and among the independent variables. To formally substantiate the absence of multicollinearity between the independent variables, collinearity diagnostics are observed and that the variance inflation factors indicate no multicollinearity. This could be seen in Table 5 below

Table 5: Multi-collinearity Test Results

Variable	VIF	1/VIF
CEOP	2.3	0.435106
CCOM	1.16	0.860037
Mean VIF	1.73	

Source: Computed using STATA 13 software

Heteroskedasticity Test

This test was conducted to check whether the variability of the error terms is constant or not. If heteroskedasticity is present in the model Ordinary Least Square (OLS) and panel regression may not be suitable for the analysis and could be considered insufficient to be

the best estimator. Going by the model one of the studies which NIM model as presented in Table 6 below there is clear presence of heteroskedasticity in the model.

Table 6: Heteroskedasticity on NIM Model

Modified Wald test for groupwise heteroskedasticity in fixed effect regression model

Ho: $\sigma(i)^2 = \sigma^2$ for all i

Variables: fitted values of ROA

$$\begin{aligned} \text{chi2}(36) &= 17651.22 \\ \text{Prob} > \text{chi2} &= 0.0000 \end{aligned}$$

Source: Computed using STATA software

The result of the test on NIM model reveals that there is a presence of heteroskedasticity because the probability of the chi square is statistically significant at 1% indicating that the model is heteroskedastic.

Hausman Test

After due consideration of the above models, the selection of the model is followed by the Hausman’s test where the study proposed Random Effect on NIM model. The result of the Hausman’ test is represented in Table 7. This is done to determine which model Fixed and Random Effect is appropriate.

Table 7: Hausman’s Test on NIM Model

Variables	Coefficients		Standard Error
	(b) Fixed	(B) Random	
Test: Ho: difference in coefficients not systematic			
chi2(8)	=	0.3600	
Prob > chi2	=	0.9964	

As seen from the Table 7, there is no sufficient evidence to reject the null which said that the random effect model is appropriate since the Hausman test is not statistically significant as the probability value is greater than the 10% level of significant. Therefore, this study select and compare Random Effect model and Pooled OLS using Breusch and Pagan Lagrangian Multiplier Test for Random Effects presented in Table 8.

Breusch and Pagan Lagrangian multiplier

Thus, this study considered LM test to compare between Pooled OLS and Random Effect since Hausman Test choosed Random Effcet model. Thus, the LM test result is presented in Table 8 as seen below:

Table 8: Breusch and Pagan Lagrangian multiplier test for random effects

Test: Estimated results:			
chibar2(01)	=	587.09	
Prob > chibar2	=	0.0000	

From the table therefore, Random Effect model is to be considered base on the LM’s test. This could be considred in the absence of heteskedasticity however, all the ROA model is heteroskedacstic thus, the Random Effect model could not longer be considered suitable techniques for the study therefore, the model that can adress the heteroskedaticity in Random Effect model is Feasible Generalised Least Square (FGLS) model. This is because, time is greater than cross section of the study as the number of banks are 13 while the time period is 15 years. Thus, this study run the FGLS model base on the

recommendation of Abdullah, Sahudin and Bahrudin, (2023) and finally, the FGLS model is hereby presented and discussed next.

AIC and BIC Criteria for NIM and Tobin’s Q Models

Among the criteria to select the best model is Akaike's Information Criterion (AIC) and Bayesian Information Criterion (BIC) (Dziak et al, 2020) where the lower the AIC and BIC the better the model as suggested by the authors. In the case of this study the AIC and BIC criteria is employed to select the best model among the NIM and Tobin’s Q models presented in Table 4.7 below.

Table 9: Akaike's Information Criterion and Bayesian Information Criterion

	NIM	Tobin’s Q
AIC	-555.1925	-195.8506
BIC	-522.5140	-163.1721

Table 9 presences the Akaike's information criterion and Bayesian information criterion for NIM and Tobin’s Q models where the lowest AIC value is -555.1925 and that of BIC value as presented in the result are -522.5140 which all negative values. Therefore, since the Akaike's information criterion and Bayesian information criterion for NIM model is the lowest among the two models, then the NIM model is said to be the best model base on the AIC and BIC criteria. In this case, NIM model is to be interpreted as the model of the study.

Presentation and Discussion Results

This section presents the regression result of the dependent variable (firm performance which is measured in terms of net interest margin (NIM) and all the independent variables of the study which include CEO Pay (COEP) and chairman’s compensation (CCOM). The study presents the result of NIM model. Based on the models, the study follows with the analysis of the relationship between dependent variable and each independent variable. The summary of the FGLS regression result obtained from the NIM model of the study are presented in Table 10 below:

Table 10: Feasible Generalised Least Squares (FGLS) Regression Result NIM

NIM	Coef.	Std. Err.	Z	P>z
CEOP	-0.0004677	0.0002006	-2.330	0.020
CCOM	0.0000007	0.0000009	0.780	0.434
Constant	0.3191745	0.0257743	12.380	0.000
Wald chi2(9)	24.78			
Prob > chi2				0.003

Source: *Stata 13 Output*

The regression result is shown Table 10. where the result is derived from the equation formulated and employed based on NIM model as performance measurement while CEO Pay (COEP) and Chairman’s compensation (CCOM) are the explanatory variables as seen in equation presented in model specification of the study.

CEO Pay and Financial Performance

Among the variables associated with financial performance which is vital to consider is CEO Compensation which oversees the affairs of the firms including watching the performance of the said firms. It was established in the literature that CEO Compensation

could have influence on performance. Thus, the Companies and Allied Matters Act (CAMA) 2020, provides the provision for compensation for CEO. This is because, the CEO has responsibility to look at all the affairs of the company both financial and operational aspect of the company. More compensation could result to more financial performance of the firms. Thus, the higher the CEO Compensation the better the performance which in the case of this study is NIM. Recall that, hypotheses is formulated in chapter one in respect of CEO compensation and financial performance. Thus, this study argued in chapter one based on pay performance and agency theories coupled with many researchers view that there is a relationship between CEO Compensation and banks performance which is measure as NIM (Gemed Edeti & Chand Garg, 2021).

From the regression result obtained from Table 10, in respect of CEO Compensation and firm financial performance shows that CEO compensation has a beta coefficient of -0.0004677. This is clear indication that, CEO Compensation has negative relationship with financial performance measured as NIM since the parameter is negative. The said relationship between the CEO Compensation and NIM is significant in explaining firm performance of banks in Nigeria. This is because, the p-value of the CEO compensation in respect of the NIM is less than 5%. This implies that there is sufficient evidence to suggest that CEO Compensation has a relationship with performance measured as NIM since the relationship is significant. Therefore, the hypothesis formulated on CEO Compensation and Financial Performance is rejected. Even though, the said relationship seems to be negative since the parameter looks negative as seen in NIM model result in Table 10 above, therefore, this study found out the result shows that as the payment for CEO Compensation increases by one Naira performance will decrease by 0.0004677 other things being equal. Base on the result found thus, this study concludes that there is negative relationship between CEO Compensation and performance of banks in Nigeria since the result in respect of the said relationship is significant.

Chairman's Compensation and Financial Performance

Another important variable associated with financial performance which is important is chairman compensation. It was established in the literature that chairman Compensation could influence on performance. CAMA 2020, provides the provision for chairman of the board and is also expected to be compensated. This is because, the chairman is in charge of the board members. More compensation could result to more financial performance of the firms. Thus, the higher the chairman compensation the better the performance which in the case of this study is NIM. Recall that, hypotheses is formulated in respect of chairman compensation and financial performance. Thus, this study argued in chapter one based on pay performance and agency theories coupled with many researchers view that there is a relationship between chairman compensation and banks performance which is measure as NIM (Gemed Edeti & Chand Garg, 2021).

From the regression result obtained from Table 10, in respect of chairman compensation and firm financial performance shows that chairman compensation has a beta coefficient of -0.0000007. This is clear indication that, chairman compensation has positive relationship with financial performance measured as NIM since the parameter is positive. The said relationship between the chairman compensation and NIM is not significant in explaining firm performance of banks in Nigeria. This is because, the p-value of the chairman compensation in respect of the NIM is greater than 10%. This implies that there is no sufficient evidence to suggest that chairman compensation has a relationship with performance measured as NIM since the relationship is not significant. Therefore, the hypothesis formulated on chairman compensation and financial performance is rejected. Even though, the said relationship seems to be positive since the parameter looks positive

as seen in NIM model result in Table 10 above, therefore, this study found out the result happen by chance. This implies that there is no relationship between chairman compensation and financial performance. Base on the result found thus, this study concludes that there is no relationship between chairman compensation and performance of banks in Nigeria since the result in respect of the said relationship is not statically significant.

Conclusion

Based on the findings from the analysis carried out, the study concludes as follows: CEO Pay significantly influences financial performance of banks in Nigeria. This means that number of directors pay on board affect the financial performance of banks in Nigeria. A resultant, an increase in the CEO pay would lead to a decrease in financial performance of banks in Nigeria. Hence, this study concludes that increase in CEO pay will decrease financial performance of banks in Nigeria. However, Chairman's compensation does not significantly influence the financial performance of banks in Nigeria.

The results of the empirical analysis strongly support the theoretical paradigm adopted in this study. This research thus concludes that, where management opportunism is checkmate by monitoring mechanisms, financial performance of listed financial services firms in Nigeria can be increased. This will invariably increase both the industry and economic indexes.

Research Recommendations

In line with the findings and the conclusions of this study, the study recommends that: Governance codes regulators such as Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) should emphasize or regulate compensation of executive directors on board as it makes the directors more responsible in their decision which improves the compliance with disclosure requirement. In addition, the regulators can put more monitoring mechanism as some of the firms did not pay for the compensation which can be seen in the descriptive statistics where some firms have zero compensation which could perhaps be one of the reasons for the negative parameter in relation to the financial performance problems in Nigeria.

Limitations of the Study

The result of this study is subject to some limitation due to the following factors.

1. Despite the contributions of the study, it has some limitations like other empirical studies. The study's two independent variables do not adequately reflect all of the factors that affect financial performance of banks in Nigeria. There is need for more variables.
2. Also, data extracted from the annual report could be inadequate to address the problem at hand, therefore it could not accurately reflect the true measurement of the variables. This is because of the scope of the study is between 2008 and 2022.

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