Executive Compensation and Value of Listed Deposit Money Banks in Nigeria

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Abstract

The increasing failure of banks has made it important to seek for ways to enhance its value in order to attract investors and potential investors. To make this reality, scholars have argued from various quarters that the people who manage the banks must be adequately compensated if the desired value needs to be achieved. Therefore, the study examines the relationship between executive compensation and value of listed deposit money banks (DMB) in Nigeria. The study adopted correlational research design with balanced panel data of 14 listed banks which served as population of the study for the period of 2010-2021 using Generalized Least Square (GLS) regression as a tool of analysis. The study found that CEO Pay and Chairman's compensation have positive effect on the value of listed banks, while the highest paid director exact negative influence on the banks' value. This implies that the CEO Pay and Chairman's compensation improves the value of banks. Therefore, it is recommended among others that the management of banks should increase the CEO pay and place more emphasis on performance as a basis of increased pay to guarantee continuous improvement in the value of the banks.

Keywords: Tobin's Q, Executive share ownership, Value of Banks, Executive pay.

1.0   Introduction

Executive compensation is composed of the financial and non-financial compensation or rewards received by an executive from their firm for services rendered to the organization (Farouk et al., 2015). Executive compensation differs substantially from typical pay packages for either hourly workers or salaried management and professionals in that executive pay is heavily biased toward rewards for actual results. Executive pays could be either fixed or variable as it depends on the internal policy of the bank. For instance, some banks in their internal policy encapsulates that if a company underperforms, the executives typically receive a smaller fraction of their potential pay. However, if a company do well in a particular financial year, executives are properly compensated in accordance with the performance of the company. This is to say performance best rewards is being used by some banks.

In the recent years there has been a debate about the level of compensation and the bonuses in the banking sector which chief executive officers attract based on their nationality and justifications. One may ask, are these Chief Executive Officers CEOs being paid for their performance or is it just a trend everyone is following? 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 and value attracted to the firm (Deysal & Kruger, 2015). In developing countries like Nigeria, executive remuneration policies, practices and basis of determination are hardly defined in the general corporate governance code of best practices for companies to adhere to. Hence, remuneration committee in quoted companies appears to be easily influenced by the board members to determine the level of salary that suits them. Most often the interest of the shareholders is not taken as a priority on the corporate board. A lot of individuals jostle for board membership possibly for the robust pay packages and the immerse power attached to such top executive positions irrespective of value addition (Ogbeide & Akanji, 2016)

Firm value is a key indicator of financial wellbeing of any company, as it serves the basis when making decision on dividend and financial investment. However, Share price is basis of ascertaining firm's value and firm value is a major determination of the company's financial health. The banking industry is the most important source of finance for majority of firms; it has been a reservoir of economic savings which contribute significantly to economic growth and development (Zulkafli et al., 2018). However, there are problems facing the stability of the banking sector which includes inadequate capital and operational problems which hinder tapping the opportunity of the banking sector by the Nigerian economy as it is one of the driving forces for economic growth. Notable among the firm value problems in the banking sector that necessitate this study includes

inadequate operational capital and myriad of operational problems as it is recently Nigerian banking has begun to show serious sign of liquidity strain and had to be given some financial succor in form of expanded discount window by the central bank of Nigeria (Oladele, 2017). This financial crisis is still bedeviling the banking sector in Nigeria with the recent distress of MainStreet bank 2014, Skye bank in 2018 and Diamond bank in 2019. This indicates that some of the banks in Nigeria have not been able to meet shareholders' expectation of wealth maximization.

Value of firm is a difficult concept, in terms of both definition and measurement. It has been defined as the appropriate measure selected to assess corporate performance. Its assessment also depends on the type of organization to be evaluated, and the objectives to be achieved through that evaluation. The variables against which financial performance can be measured could be accounting-based or market-based. These may take the form of absolute figures, ratio, and descriptions of various dependencies among the performance parameters. Market-based measures are derived from the financial markets where the firm's financial assets are traded and are based on the perception of the investors both potential and current investors on how they react to various information released to the market by the corporation and other market players like analysts. It tends to be less susceptible to manipulation though it depends to some extent on the accounting-based measures, for example, share prices, dividends.

The listed deposit money banks in Nigeria cannot be exonerated from the bogus executive compensation as witness in other parts of the world. Omoregie and Kelikume (2017) argued that there is an increasing interest towards the relationship between executive compensation and bank value in Nigeria in recent years following the profligate lifestyle of some bank executives. This has raised the question of whether the banking sector performance justifies bank executives' compensation. Most listed deposit money banks have suffered poor financial performance and low value which has led to either merge or acquisition by other banks; Oceanic Bank Plc, Intercontinental bank, Afribank Plc and Diamond Bank Plc amongst others. What remains unknown is whether the poor performance and hence value is as a result of poor executive compensation or high compensation of executive (Ogbeide & Akanji, 2016). Therefore, there is the need to investigate to what extent the compensation of executives can affect financial performance and hence value of these banks (Farouk, 2018).

Several studies have been conducted on the determinants of firm value and determinants of performance, these studies include Athanasoglou et al. (2006); Reis and Visabeira (2014) in European union; Rajhans & Kaur, (2013) in India; Aloys and Wamalwa (2015); Mbugua et al. (2018) in Kenya; Awan et al. (2018); Endri, (2019); Kusiya and Arief

(2017); Murni et al. (2019) Indonesia and Pakistan. These studies were conducted in countries other than Nigeria. Studies that were conducted in Nigeria are Odusanya et al. (2018); Oladele (2017) who concentrated on factors that create shareholder value and determinant of performance. Ebenezer et al (2019), Ahmed and Sallau (2018), and Lawal (2014) conducted research on the deposit money banks in Nigeria and they concentrated on financial leverage, corporate governance and capital structure impact on firm value.

As pointed above, for studies conducted in developing economies, it was noted that, in most of these studies only accounting measures of firm performance were used ignoring market measures such as stock price and the Tobin Q measure. This is another gap that intend to be fill in this study. Others studies like Vemala et al. (2014); Yusuf and Abubakar (2014); Olalekan and Bodunde (2015) were not on market measures. And researches of Amzaleg and Mehrez (2004), Tariq (2010), Sigler (2011), Demirer and Yuan (2013) heavily relied on aggregate level of compensation without much attention to its various constituents but these studies would give attention to the various constituents. Hence the need for this study to examine the effect of executive compensation on value of listed deposit money banks in Nigeria moderated by share ownership.

2.0   Literature Review
This section covers the review of existing literature in the area of executive compensation and value. Essentially, it examines the conceptual framework, the theoretical framework as well as empirical studies on the subject matter underpinning the study.

The Concept of Executive Compensation
Executive compensation is the financial payment and non-monetary benefit provided to high level management in exchange for their work on behalf of the organization (Farouk, Nafiu & Shehu, 2015). The types of employees that are typically paid with executive compensation packages include corporate presidents, chief executive officers, chief financial officers, vice presidents, managing directors and other senior executives.

Executive compensation is interchangeably used with executive pay or remuneration comprises of salary and incentive pay (Ogbeide & Akanji, 2016). They argued 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 (Ayodele, 2012). According to Adeoti and Isiaka (2006), they argued that the objective of executive remuneration is to motivate, attract and retain good people for attainment of the organizational performance.

Executive compensation (EC) or executive pay is composed of the financial compensation and other non-financial rewards received by an executive from their firm for their service

to the organization. It is typically a combination of salary, bonuses, and shares of or call options on the company stock configures to take into account government regulations, tax law, the desires of the organization and the executive, and rewards for performance (Bruce et al., 2015).

The executive compensation package often contains many components. A well-constructed package maximizes the benefit for the firm and minimizes the costs related to executives, hence minimizing costs and risk for the shareholders. The most common components are basic salary, variable cash bonus, stock options, stock grants, pensions, benefits, perquisites and severance benefits (Murphy, 1999). Each component has a different cost for the company and a different effect on employee motivation and risk. In addition to this, the components have different relationships with performance. For instance, equity compensation is partially driven by market forces, which are not under the control of a manager, whereas a bonus plan based on accounting numbers may be controlled by a manager due to the possibility to carrying out cosmetic changes to the books, which may lead to higher reported accounting earnings, but not necessarily to higher shareholder value.

In Nigerian banking industry, executive officers earn a bonus usually refers to as pay-for-performance by accomplishing goals or tasks outside the scope of their normal responsibilities or for reaching financial targets that meet the minimum thresholds or targets. Many banks in Nigeria review and adjust executive compensation or salaries and pay bonuses annually. At the beginning of the year, performance measurement system is normally being put in place to rewards executives in accordance with the targets met. This process is repeats annually with a new set of performance measurements and in some cases, bonuses are also added if target is achieved.

For the purpose of this study, executive compensation refers to all forms of incentives statutorily or otherwise paid to executive directors and non-executive directors involved in managerial, operational and technical functions in an organization with a view to rewarding and motivating them for enhanced performance. However, this study adopts the classification of executive compensation given by (Jensen et al., 2004) which categorizes them into company's cash payments which includes 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.

The Concept of Firm Value

Firm value is considered as the most important aspect in determining bank financial health. The higher the value of a firm, the better its financial position, as well as the projection of prospective investors. Stressing its relevance, Mohammed (2017) posits that revealed that an increase in firm value could

attract investors to invest more with a hope of earning a higher return. Market value of a firm is determined by multiplying the stock price and total number of outstanding shares of a company. The concept of market prices originated from Random Walk theory in the work of Fama (1980). The early studies by Fama (1965), Samuelson (1965) could not reject a random walk theory. Murphy (2002) indicates that there are reasons that the random walk behavior of Market prices should hold. There is evidence suggesting that market price per share do follow a random walk. Findings by Umar and Musa (2013) support that market prices are very much uncertain and this may not be true because firms' fundamentals may to a great extent influence stock prices. This argument is supported by early rejection of a random walk theory by Dissanayaka (2000) and recently by Umar and Musa (2013) who argue that there is little theoretical basis for strong attachment to the null hypothesis that market prices follow a random walk. Market price per share could be determined by micro and macro-economic factors (Bussin & Nel, 2015). These factors which include book value of the firm, dividend per share, EPS, price-earnings ratio and dividend cover (Umar & Musa, 2013).

This study used Tobin's Q to measured firm value and it is calculated by the ratio of the market value of the firm plus debt divided by the book value of its assets.

Review of Empirical Studies
This section reviews empirical literature in relation to the variables of the study. Empirical evidences from developed economies; Yamina and Mohamed (2017) examine the impact of firm performance on executive compensation in France with a sample of 90 companies included in the SBF 120 over 2004, The study examines whether there is a significant link between the overall executive compensation and corporate performance, and then determine the relationship between the fixed and variable part of the compensation with performance. The findings highlight in particular the level of total executive compensation that is linked with relatively improved performance. And clearer, the pay of executive increases with the increase of financial performance, whereas, the bonus depends on level of accounting performance. Also, the grant of options to executive is found to relatively affect the financial performance of the firm.

Sha'awa et al. (2023) Effect of Executive Compensation on Financial Performance of Listed Non-Financial Firms in Nigeria. A correlational research design was used based on a filtered census population of 63 firms listed on Nigeria's stock exchange. Secondary data was obtained from the annual financial reports of these firms and analyzed using the generalized methods moments. The study found salary emoluments, bonuses and stock-based compensation, as measures of executive compensation, have negative impact on the return on equity of listed non-financial firms in Nigeria. Where executive pension claims a positive impact on the return on equity of listed non-financial firms in Nigeria.

Qiao and Wang (2016) 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 significant correlation between the executive compensation and financial performance of companies. Linear regression analysis is conducted and it was found that relationship exist between executive compensation and financial performance.

Lindström and Svensson (2016) examine if there is a relationship between the top management variable compensation and firm performance. The focus is on the Swedish context and it was studied if contextual issues, in terms of different industries, have an impact on this relation. Multiple regression analysis was performed. The empirical evidence displays that on a general level, incentive systems of the top management have no significant effect on firm performance. The study also concludes that the relation of variable pays and performance is contingent on industry.

Rampling (2015) investigates the relationship between executive director and CEO remuneration and corporate performance. In order to uncover a deeper understanding of these relationships, the study analyzed these and other key relationships in the USA, UK and Australia for financial years ending 2001 – 2012 by analyzing disclosures and data from 305 public listed companies residing in these jurisdictions. The results of this research revealed that there are significant relationships between corporate financial performance and CEO remuneration.

Kutum (2015) establish what kind of relationship, if any, exists between CEO remuneration and Banks size and performance. This study collected data on Bank Size and Bank Performance for 6 Canadian banks to study their correlation with CEO remuneration. It was hypothesized that there existed a positive relationship between CEO remuneration and Bank Size (measured by Sales, Deposits and Employees) and Bank Performance (measured by ROA, ROE and Profit Margin). The data was put through SPSS for a Pearson coefficient analysis which revealed a strongly positive correlation between CEO remuneration and all three variables of Bank Size. On the other hand, no significant relationship could be established between CEO remuneration and Bank Performance except a weak positive relationship with ROA.

Buachoom (2015) determine the two-direction relationship between financial firm performance and executive compensation in Thai listed companies; that is, effect of firm performance on executive compensation and the effect of executive compensation on subsequent firm performance. The System GMM, with concern about the endogeneity problem of the simultaneous relationship, is applied. The samples composed of 5,139 firm-years

observations for 15 years from the years 2000 to 2014 of 432 non-financial firms in the Thai stock market. The empirical evidence reveals simultaneous relationship between performance and executive compensation in Thai stock market. It shows that compensation of executives in Thai firms corresponds to firm performance, and compensation of executives leads to an improvement in subsequent performance of Thai listed firms.

Demirer and Yuan (2013) examine effect of executive compensation on firm performance in the U.S. restaurant industry. Using executive compensation data for publicly traded restaurant firms for the period 1999–2010, their results suggest that compensation in the form of bonuses and non-equity affects restaurant firm performance positively. Results also reveal that compensation in the form of salary affects restaurant firm performance negatively. Findings of this study suggest that restaurant firms should use salary with discretion, and use bonuses and deferred pay to increase firm performance.

Berthelot et al. (2013) examines the impact of the tenure of independent directors on senior executives' compensation and corporate financial performance. A sample was drawn from Canadian companies listed on the Toronto Stock Exchange and forming the S&P/TSX composite for 2009. The initial sample was composed of 229 companies from which 42 trusts and income funds were eliminated, along with nine inactive companies (companies indicating zero sales). The final sample

comprised of 178 companies. The financial data needed for the analysis was derived from the financial statements. The results show that although the tenure of independent directors has a positive impact on senior executives' compensation, it has no significant impact on corporate financial performance.

Evidences from developing economies, Nigeria inclusive; Emmanuel, Michael, Akanfe and Oladipo (2017) theoretically examine the relationship between executive compensation and firm performance among Nigeria firms. The study is purely based on content analysis where a library-based largely on the review of extant literature were utilized. The findings from majority of the studies show that the executive compensation has a significant effect on firm performance.

Oyerogba et al. (2016) examine the impact of executive compensation on firms' profitability of listed companies in Nigeria using a period of ten years ranging from 2004 to 2013. Variables used include directors' cash incentives, non-cash incentives and bonus issue of share and earnings per share of the selected companies. The study relied on the secondary data extracted from the audited financial statement of a sample of 70 companies purposefully selected from the listed companies in Nigeria. Both descriptive and inferential statistics were carried out. The results revealed that a significant positive relationship exists between the directors' cash incentives, bonus issue of share and earnings per share. The relationship

between non cash incentive and earnings per share was insignificant implying that non-cash incentive does not significantly influence earnings per share of companies in Nigeria.

Ruparelia and Njuguna (2016) determine the effect of board remuneration on financial performance, focusing on commercial banks, insurance companies and investment companies listed at the Nairobi Securities Exchange from 2003 to 2013. Secondary data was obtained from audited financial statements for the 11 years ending 2013. A linear regression model was used on pooled cross-sectional time-series data to draw the inferences of the study. The results disclose significant variations in the level of board remuneration across the companies and a significant relationship between board remuneration and DY, but not ROA, ROE, and EPS. When disaggregated to financial market segments, the results confirmed a statistically significant relationship between board remuneration and with dividend yield in the banking sector and Insurance and reverse for other sectors.

Ogbeide and Akanji (2016) examined executive remuneration and firms' performance in Nigeria. Specifically, the study seeks to ascertain the nexus between executive remuneration, firm size and board size variables and the performance of quoted companies. The population of the study consists of all the quoted firms as at 31st December, 2014. A sample of sixty (60) companies excluding non- financial firms was selected for the period 2013 and 2014.

Panel Generalized Least Square (EGLS) with fixed effect was used for the purpose of empirical validations. The study found that executive remuneration has negative but insignificant effect on firm performance.

Raithatha and Komera (2016) examine the relationship between executive compensation and firm performance among Indian firms. The study period is from 2002 to 2012. Their final sample consists of 21,834 firm year observations, consisting of 3,100 firms with an average of 7.04 years each. The study found that firm performance measured by accounting, as well as market-based measures, significantly affects executive compensation. The study also tests 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 pay-performance relationship among the smaller sample firms and business group affiliated firms.

Sheikh and Khursheed (2016) investigate whether compensation (that is, salary, bonus and allowances) offered to chief executive officers and executives affect the performance of Takaful (that is, 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). It is worth mentioning that Takaful companies are unquoted on Pakistan Stock Exchange that is why only accounting-based performance measures used in the study. Results indicate that compensation offered to CEOs and executives is statistically significant and negatively related to all performance measures. Although Takaful companies are offering reasonable compensation to CEOs and executives but their performance is weak which may be due to absence of monitoring from the market participants.

Kyalo (2015) examines the relationship between executive compensation and financial performance of commercial state-owned Enterprises in the energy sector in Kenya. This cross-sectional study collected secondary data from published financial statements of eight state owned commercial enterprises for a five-year period from 2010 to 2014. The study found weak negative associations between executive compensation and financial performance. While relating executive compensation and financial performance, the study establishes that 45.2% of variations in financial performance is explained by variations in executive compensation. It is established a unit increase in executive compensation has a commensurate decline in ROA for the firms to the extent of 0.027. The finding that are consistent with earlier study findings in different sectors confirm that high executive compensation is not a prerequisite for corporate performance in the public owned corporations and there is need for rationalization and harmonization to

ensure that executive pay enhances value for state corporation ownership.

In addition, Olalekan and Bodunde (2015) examined the impact of CEO pay on performance of 11 quoted banks in Nigeria over a period of eight years (2005-2012). The study used CEO pay, bank size, leverage, board size and board composition as proxies of executive compensation and EPS for performance. In spite of the importance of executive compensation as a vital tool in the realm of corporate governance to bring interests' alignment between shareholders and CEOs, the study emphasized that rather than being a mechanism that would motivate the CEOs to pursue the shareholders' interest, the CEO pay of Nigeria banks deteriorates bank performance and shareholders' value.

Bussin and Nel (2015) aim of this study was to understand the relationship between company financial performance using DuPont analysis and CEO guaranteed in the South African retail and consumer goods sector. The research was a quantitative, archival study of companies listed on the Johannesburg Stock Exchange (JSE), measured over a period of six years (2006-2011). The statistical analysis included regression and correlation analysis. The research found that CEO guaranteed CTC has shown no sensitivity towards company financial performance in terms of DuPont analysis over the six-year period, which included the global financial crises in 2008. Furthermore, a negative relationship existed between the return on equity and the guaranteed CTC of

CEOs in the retail and consumer goods sector during this period.

Olaniyan (2015) examines the effects of executive compensation on the performance of non-financial firms in Nigerian Stock Exchange (1996-2012). The executive compensations of seventy-two non-financial servicing firms were examined along with their performances. ROA, ROE and Tobin's Q were used as a measure of firm performance, and panel data reveals a negative significant relationship between executive compensation and firm performance. The study recommended that government should enforce that the executive compensation of firm be strictly tied to firm performance in order to encourage the performance of non-financial firms on Nigeria Stock Exchange.

Theoretical Framework
The study adopted both expectancy and agency theory to guide the work. Expectancy theory is a cognitive process theory of motivation that is based on the idea that people believe there are relationships between the effort they put forth at work, the performance they achieve from that effort, and the rewards they receive from their effort and performance. In other words, people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards. Lunenburg (2011) reports that Victor Vroom (1964) was the first to develop an expectancy theory with direct application to work settings, which was later expanded and refined by Porter and Lawler (1968) and others.

The expectancy theory based on these assumptions has three key elements: expectancy, instrumentality, and valence. A person is motivated to the degree that he or she believes that (a) effort will lead to acceptable performance (expectancy), (b) performance will be rewarded (instrumentality), and (c) the value of the rewards is highly positive (valence).

Figure 3: Expectancy Theory Link
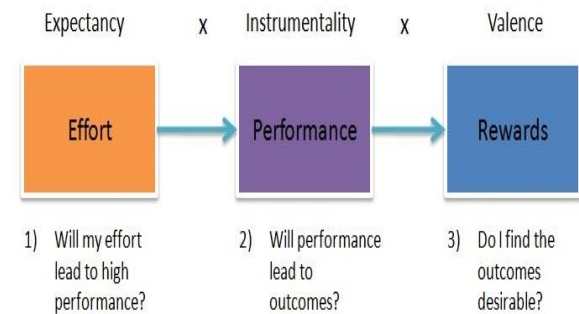
Source: Redmond (2015).

Vroom also believed that increased effort will lead to increased performance; given the person has the right tools to get the job done. The expected outcome is dependent upon whether or not the person has the right resources to get the job done, has the right skills to do the task at hand, and they must have the support to get the job done. That support may come from the boss, or just being given the right information or tools to finish the job. (Scholl, 2002)

Although many people correlate high performance with high rewards, many times the theory is limited because

rewards are not always directly correlated with performance in many organizations. It is related to other parameters also such as position, effort, responsibility, education, et cetera (Isaac et al., 2001).

Relating this theory to executive compensation suggests that in determining the top management remuneration, three things (namely, expectancy, performance and valence) are of cardinal importance. This implies that, if executives put in good efforts which ultimately lead to good performance, they should be guaranteed of their desired rewards. However, it should be noted that, individual desired rewards vary. In other words, what motivates Mr. A. might not motivate Mr. B. That is, for Mr. A. car might be his desired rewards; while Mr. B might desire promotions or recognition. Hence, for the reward(s) to meet executive's desires, each executive desire should be properly delineated.

On the other hand, Agency theory explain and resolve issues in the relationship between business principals and their agents. Most commonly, that relationship is the one between shareholders, as principals, and company executives, as agents. Agency theory attempts to explain and resolve disputes over the respective priorities between principals and their agents. Principals rely on agents to execute certain transactions, which results in a difference in agreement on priorities and methods (Jensen & Meckling 1976).

The difference in priorities and interests between agents and principals is known as the principal-agent problem. Resolving the differences in expectations is called "reducing agency loss." Performance-based compensation is one way that is used to achieve a balance between principal and agent. Common principal-agent relationships include shareholders and management, financial planners and their clients, and lessees and lessors.

It is certain that designing executive compensation based on efforts, performance and rewards will not only ensure effective and efficient remuneration system devoid of controversy between management and shareholders but also assures productivity.

3.0 Methodology
The study adopted correlational research design. The study population is the fourteen (14) listed DMBs on the Nigeria Stock Exchange (NSE). All the population was utilized for the purpose collection and analysis of data. Secondary data source was utilized and they were collected from the annual reports and accounts. The variables and their measurement as used in the study is depicted in Table 1 below.

Table 1: VARIABLES AND THEIR MEASUREMENTS

S/N	Variable	Status	Measurement	Justification
1	Tobin's Q	Dependent	Market value of all outstanding stock plus Market value of all debt divided by Replacement value of all production capacity	Wolfe et al. (2003)
2	CEO Pay	Independent	CEO Remuneration	Kruger & Deysel (2015)
3	Chairman's Siting Allowance	Independent	The siting Allowance to the Chairman	Ozkan (2011)
4	Highest Paid Director	Independent	Pay of the Highest Paid Director besides CEO	Krauter & Sousa (2013)
5	Firm Size	Control	Customers' Deposit	Yusuf & Abubakar (2014); Olalekan, & Bodunde (2015)

Technique of Data Analysis and Model Specification

Data was presented using descriptive statistics comprising of the mean, standard deviation, minimum and maximum value for each variable of the study. Correlation and regression were used to determine the nature and association between the dependent and independent variables utilized in the study. Post estimation tests were conducted to validate the results, these include multicolinearity, normality, heteroscedasticity, Hausman specification and Lagrange multiplier tests were estimated. The following model was developed to analyzed the data collected for the study:

$$TQ_{it} = \beta_o + \beta_1 CEOP_{it} + \beta_2 CSAL_{it} + \beta_3 HPDI_{it} + \beta_4 FSZ_{it} + e_{it} \ldots\ldots\ldots\ldots\ldots\ldots (i)$$

Where:
TQ = Tobin's Q;

CEOP = CEO Pay;
CSAL = Chairman's Siting Allowances;
HPDI = Highest Paid Director;
FSZ = Firm Size;
e = Error term; and
i and t = banks i and year t

4.0 Results and Discussion

This section presents the preliminary analysis of data using descriptive statistics and correlation analysis. This is followed by the presentation, analysis and discussion of regression results with respect of the dependent and independent variables.

Descriptive Statistics

The descriptive statistics is presented in Table 4.1 showing the minimum, maximum, mean, Standard deviation, Skewness, Kurtosis and Shapiro wilk of the variables of the study.

Table 4.1: Descriptive Statistics

Variables	Min	Max	Mean	Std. Dev.	Sktest	Swilk
TQ	0.019	20.2	2.182	2.123	0.0000	0.00000
CEOP	15.63	22.14	19.35	0.960	0.0023	0.00555
CSAL	13.01	18.09	16.36	1.025	0.0225	0.00021
HPDI	13.99	19.68	17.87	0.818	0.0000	0.00022
FSZ	18.35	22.13	20.42	0.86	0.0924	0.12134

Source: Output from STATA 13.

Table 4.1 shows that the smallest value for Tobin's Q which represents the market based financial performance in the study is 0.019, while the largest value is 20.2 which represent the highest rate of market performance of the listed deposit money banks in Nigeria. The mean value implies that on average, most banks performance twice as expected from the previous performance.

CEO pay recorded a minimum value of 15.63 and maximum value of about 22.14 implying that within the banking sector and the study period annually. Chairman's siting Allowance had a minimum value of 13.01 and a maximum value of 18.09 implying that the lowest amount paid by banks to their chairman on board of directors annually, while the highest amount paid to the chairman of the board within the study period stood at 18.09 annually. However, highest Paid Director had a minimum value of 13.99 and a maximum value of 19.68 implying that there was a board of directors whose least pay amongst the highest paid director stood at the study period. Meanwhile, the highest amount recorded for highest paid director amongst the board members was 19.68

Correlation Analysis

Table 4.2 shows the Spearman Correlation values between the dependent and the independent variables are shown on matrix below.

Table 4.2:   Correlation Matrix

	TQ	CEOP	CCOM	HPDI	FS
TQ	1.0000				
CEOP	-0.0744	1.0000			
CSAL	-0.0609	-0.1483	1.0000		
HPDI	0.1304	0.2136	0.0303	1.0000	
FSZ	-0.0221	0.1613	-0.1528	-0.3181	1.0000

Source: Correlation Matrix Output from STATA 13.

Table 4.2 shows that all the independent variables except HPDI have negative and insignificant relationship with TQ. Similarly, the result revealed that the relationship between CEOP and other independent variable with the exception of CSAL was positive during the study period. In addition, the relationship between CSAL and HPDI is positive while it is negative with FS. Furthermore, FS and HDPI have negative relationship.

The insignificant nature of the relationship was a further proof of the absences of multicolinearity among the independent variables.

Regression Result

To determine the association between executive compensation and value of listed deposit banks in Nigeria, the result of the regression analysis presented in Table 4.3 was utilized.

Table 4.3: FGLS REGRESSION RESULT (RANDOM EFFECT)

Variables	Coefficient	Z-Statistics	Prob. Value	Cumulative Results
Constant	-0.0158	-0.18	0.856	
CEOP	-0.0683	-1.66	0.097	
CSAL	-0.0379	-0.95	0.340	
HPDI	-0.0006	-0.17	0.862	
FSZ	0.0011	1.41	0.158	
R2 Within				0.0382
R2 Between				0.0161
R2 Overall				0.0224
Hausman Test				5.14
Probability Chi				0.27
Langragian Multiplier Test				13.92
Probability Chi 2				0.0001
Modified Wald Test				817.06
Probability Chi 3				0.0000

Source: Output from STATA 13.

The result on Table 4.3 reveals that the coefficient of the Hausman specification test (5.14) and the probability of chi2 (0.27) implied that the random effect is more efficient than the fixed effect. This was further confirmed by the result of the Pegan Langragian multiplier test which was very significant as 1%. However, the coefficient of modified Wald test for groupwise heteroskedasticity (817.06) with the probability of chi2 been 0.000, suggest the presence of heteroskedasticity. To correct this, FGLS was conducted and the result was further interpreted.

The result on Table 4.3 shows that CEO pay has Z-value of -1.66 with a P-value of 0.097. This implies that CEOP has a negative and significant effect on value of listed Nigeria Deposit Banks. This suggests that an increase in the CEO pay of Nigerian Banks result in decrease in the market value of the sampled bank. The finding contradicts the results of Bussin & Nel (2015) and Kurawa & Saidu (2014). It is in line with that of Lindstron

& Sevensson (2016). Similarly, the coefficient of Chairman Siting Allowances (CSAL) has Z-value of -0.95 with a P-value of 0.340. This implies that CSAL has a negative and insignificant effect on value of listed Nigeria Deposit Banks. This suggests that an increase in the compensation paid to chairman of the board of directors of Nigerian Banks result in decrease in the market value of the sampled bank.

The remuneration of highest paid directors has a negative and insignificant effect on the value of Nigerian banks. This was confirmed by result of the Z-value of -0.17 and coefficient of P-value which is greater than 10% level of significant. This finding is in line with the study of Kurawa & Saidu (2014) but contrary to that of Ozkan (2011).

Finally, the size of the banks was found to have Z- value of 1.41 and a P-value of 0.158. This implies that bank size has a positive and insignificant effect value of banks in Nigeria as the P-value is also greater than 10%. This shows that an

increase in the level of customers' deposit result to an increases value of DMB in Nigeria.

5.0 Conclusion and Recommendations

Based on the data collected, analyzed and interpreted, the study conclude that Chief Executive Officers pay, compensation to Chairmen of the board of directors as well as highest paid director emolument decreases the value of listed Nigerian Banks. The study recommends that regulatory authorities like SEC and CBN should develop policies and regulation to guide the remuneration committee in deciding the pay and compensation of these key officers. It is equally recommended that bonuses and allowance shall be paid to Nigerian banks key officers based on performance subject to the approval of the apex bank.

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