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SHARE OWNERSHIP, EXECUTIVE COMPENSATION AND VALUE OF FIRM: A COMPARISON BETWEEN LOW AND HIGH LEVERED BANKS IN NIGERIA

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Abstract

It is still a paradox on whether individuals would be inspired when they deem it that resilient effort does improve the bank value and enhanced bank value would result into good pay. Conflicting findings have been reported in this area and as such, the study investigates impact of executive pay and share owned by executive as it affects the value of commercial banks listed in Nigeria. Proxies of compensation to executive employed are CEO pay, compensation to chairman and the highest pay to director. However, ratio of interest by executive in shares owned represents the ownership of share to banks' executives. Value of the bank was measured using Tobin's Q. Technique employed for estimation is the Robust OLS regression. Meanwhile, the tool of data analysis used was Stata version 13. Data from secondary source was used and were extracted from the published annual accounts statement of the banks covering the period from 2007 to 2018. Post estimation examination which includes normality test of standard error term, heteroscedasticity, multicollinearity was estimated to validate the regression results. The results revealed that, pay to CEO had positive and significant effect on value of high and low levered banks. However, compensation to chairmen and highest paid director had negative effect on value high and low levered banks. Additionally, effective of executive compensation on value of banks does not improve significantly through increase in executive share ownership for both high and low levered banks. It is recommended amongst others that the CEO pay should be tied to their performance. Increase in share ownership shouldn't be used as a yardstick to achieve improved value for banks through executive compensation. Management should also tie the degree of Chairmen compensation and that of highest paid directors to enhanced value of banks through their efforts.

Keywords: Tobin's Q, Compensation to Executives, Pay-Performance Theory and Banks

1. Introduction

Performance is the ability of a firm to profit and manage the firms' resources in diverse methods to improve the firms' competitive advantage (Vemala, Nguyen, Nguyen & Kommasani, 2014). Performance can be seen from two angles, financial and the non-financial performance of the firm. The financial performance underscores on the variables that directly relates to firms' financial report, however the non-financial performance is the performance which may not be capable of being quantified but in its nature are qualitative.

Firm's performance can be assessed in three different dimensions. The first of the dimension is firm's productive capability or ability to process inputs into outputs efficiently. Second dimension is the profitability, or the degree to which firm's earnings are larger than the costs incurred within the same accounting period. While the third dimension is the market based financial performance or the level at which the firm's market value far outweighs its book value

(Ahmed & Ahmed, 2014). The concept of performance is a difficult one when it comes to definition and its measurement. Performance is seen as the suitable measure chosen to evaluate performance of corporation. Its assessment also heavily relies on the nature of the firm to be appraised and the objectives set out to be accomplished through such assessment.

Generally speaking, financial performance is a measure which is subjective on how well firm could use its assets for the primary business mode and thus still generates revenues. According to Farouk & Shehu (2014), financial performance is considered a rallying point for all stakeholders of firm, be it management, shareholders, government, regulators, potential investors and regulators. He argued that, it serves as bases for evaluating the results of policies of firm's and its operations in monetary value. Therefore, these results are mirrored in the firms' return on investment, its return on assets and the value added. The ability of any company to perform heavily depend on several factors, some of which may be from the level at which the company's executives are being taken care of through compensation such as salary, bonuses, equity allocation amongst others.

Compensation to Executive consists of both financial and non-financial emoluments and rewards gotten by firms' executive as a result of the services rendered to their firm (Farouk, Nafiu & Shehu, 2015). Compensation to Executive differs significantly from a typical pay packages for either hourly workers or salaried management. Professionals therefore in the executive pay determination are deeply subjective toward remuneration for genuine results. However, it is expected that if a firm underperforms, the executives naturally receive a lesser fraction of their likely pay. Meanwhile, executives who are not properly rewarded is believed not to have the motivation to achieve and act in the best interest of owners, which has a negative effect in terms of cost to the shareholders. Many studies have been carried out empirically to examine the effect of executive compensation on firm's financial performance. But largely the extent of its effect and direction is mixed and remain unresolved. Therefore, it is imperative to examine the moderating effect of executive compensation, share ownership on value of banks in Nigeria.

The listed of deposit banks in Nigeria are not free from the bogus compensation to executive as it is being experienced around the Globe. Omoregie and Kelikume (taht detisop (2017 the relationship between executive compensation and bank performance in Nigeria in recent years has attracted a lot of interest. This is as a result of the extravagant lifestyle of some of the bank's executives. Therefore, this has brought concerns as to whether the banking industry performance is justification of the pay to the bank's executives. The choice of this domain is as a result of the role its play as driver to the Nigeria economy. Recent works in Nigeria on the subject matter has either dwell on the insurance companies or examining executive compensation without its constituents or without consideration to leverage Adam and Habib (2020); Kantudu and Ahmed (2020); Barde and Ahmed (2020); and Ahmed and Saidu (2021).

The major aim of the study is to assess the moderating impact of share ownership on the relationship between executive compensation and value of quoted money deposit banks in Nigeria. The specific objectives are to:

- i. examines the effect of executive compensation on value of quoted deposit money banks in Nigeria;

- ii. evaluate the moderating effect of share ownership on executive compensation and value of quoted deposit money banks in Nigeria;
- iii. determine whether the effect of executive compensation and share ownership on firm value significantly differ between high and low levered banks in Nigeria.

2.1. Conceptual Issues

2.1.1. Financial Performance

Generally speaking, financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Farouk and Shehu, 2014). For the purpose of this study, Tobin's Q was used as a measure of financial performance. Tobin's is the market value of all shares in issue plus market value of all liabilities divided by replacement value of all production capacity (Wolfe and Aidar Sauaia, 2003).

2.1.2. Chief Executive Officer (CEO) Pay

Chief Executive Officer (CEO) compensation is the economic reward given to him measured by his basic pay, bonuses and stock options. CEOs are typically paid great amounts of money in wages and bonuses by commercial companies. Companies pay their CEO much crucial role in the organizational success (Kruger & Deysel, 2015).

2.1.3. Chairman's Compensation

The term Chairman's compensation is used to indicate the chairman's gross earnings in the form of financial rewards and benefits which can be examined as a system of rewards that can motivate the chairman to perform. Chairman may receive financial (salary, bonus, and all the benefits and incentives) and non-financial (awards, rewards, citation, praise, recognition) compensations for the work performed by them. For the purpose of this study, chairman's compensation is measured as the total compensation to the Chairman of the board (Ozkan, 2011).

2.1.4. Highest Paid Director

Based on certain criteria, some directors are paid more than the other; hence we have the highest and lowest paid director in every company. For the purpose of this study, highest paid director is measured as total pay to the Highest Paid Director after the Chairman's Pay (Krauter & Sousa, 2013).

2.1.5. Executive Share Ownership

Executive share ownership is the ratio of shares held by executive directors to total shares outstanding. Higher levels of executive stock ownership may be viewed as providing managers with the necessary incentives to achieve higher levels of managerial efficiency and greater firm value. Generally, the greater an executive's ownership stake in a firm, the stronger will be his/her incentives to efficiently manage assets-in-place and to spot potentially profitable opportunities (Farouk, 2018).

2.1.6. Firm Size

Firm size is considered as one of the most influential characteristics in organizational studies. The term 'firm' refers to the business unit or undertaking which owns the plant (the factory, the banking hall, the warehouse or transport depot), controls and manages it. Thus this term (firm) is

broader in its scope. For the purpose of this study, firm size is measured as Total Value of Customers' Deposit (Yusuf & Abubakar, 2014 and Olalekan, & Bodunde, 2015).

2.2 Review of Literature and Underpinning Theories

Yamina and Mohamed (2017) assessed the effect of performance on executive compensation of firms in France. A sample of ninety (90) companies which were included in SBF 120 for over the period 2004 were used. The study found in specific that the level of total compensation to executive is connected to relative improvement in performance. In addition, Yuan, Lin and Oriaku (2017) findings revealed that market-to-book ratio is greatly lower in companies that failed on say-on-pay votes. They also found that poor performance in firm is linked with increasing sensitivity of CEO pay. In another study by Qiao and Wang (2016), their findings also revealed that there is a relationship between executive compensation and performance of firm.

Lindström and Svensson (2016) findings revealed that on general note, top management level incentive systems had no strong influence on performance. Rampling (2015) findings also showed significant relationships between EO remuneration and financial performance of Corporation. Hart, David, Shao, Fox and Westermann-Behaylo (2015) documented that corporate social performance is greater where pay disparity is low for firms than where pay disparity is high for firms. Kutum (2015) found that there is a strongly positive association between CEO pay and bank size. Consequently, no significant association was established linking bank performance and CEO remuneration except weak but positive association with Return on Assets.

Buachoom (2015) study revealed that there is a simultaneous association linking executive compensation and performance in Thai Stock Market. This implies that compensation of executives in Thai is proportionate to performance, and thus high compensation of executives leads to an enhanced subsequent performance of firms listed Thai. In another study by Hong, Li and Minor (2015), they found that firms with shareholder-friendly corporate governance are more prone to providing compensation to executives that will improve the outcome of social performance.

Emmanuel, Michael, Akanfe and Oladipo (2017) documented that majority of studies showed that executive compensation had significant effect on performance. Also, Ruparelia and Njuguna (2016) results showed a significant difference in the degree of remuneration of board across the firms and therefore significant effect of board remuneration on Dividend Yield, but not return on assets, return on equity and earnings per share.

Raithatha and Komera (2016) found that performance of firm measured using booked based and market based measures have significant effect on executive compensation. Sheikh and Khursheed (2016) findings indicates that compensation to CEOs and other executives has significant but negative effect on all performance measures. Even though, Takaful companies' offers equitable compensation to their CEOs and other executives but their performance was still weak, this may be attributed to the absence of monitoring from market participants. Kyalo (2015) found weak but negative effect of executive compensation on financial performance.

Olaniyan (2015) used three performance measures which are ROA, ROE and Tobin's Q. The findings revealed that there is a negative but significant effect of executive compensation on firm performance. Also, Bin Ismail, Yabai and Hahn (2014) assessed one hundred (100) companies in listed consumer product sector of Bursa Malaysia covering from 2006 - 2010 and their results revealed that CEO pay has effect on the firm performance. Erick, Kefalu and Nyaoga (2014) also used forty-six registered companies in Kenya and covered the period of five years from 2006 - 2010. The results revealed a non-significant relationship linking executive compensation and financial performance. In study by Kurawa and Saidu (2014), they found a positive and significant effect of executive compensation on the profit before tax of the banks sampled.

Yusuf and Abubakar (2014) posited that there is a positive and significant association linking financial performance and executive compensation. Wet (2012) also examined the effect of executive compensation on economic value added (EVA), Market value added (MVA) performance of listed companies in South African. The findings showed that there is a significant effect of executive remuneration on EVA and MVA, but that the effect is better between executive remuneration and booked based measurement of financial performance (ROA and ROE). Ongore & Kobonyo (2011) concluded that there exists a positive effect of insider ownership represented via executive share options on firm performance.

Kehinde (2012) maintained that strategy adopted on compensation is one of the most important strategies in human resource management function as this encourages the productivity and growth of firm. However, the limitation of this study is that it failed to use quantitative data for its analysis and thus creating room for further examination using quantitative data. Demirer and Yuan (2013) outcome suggested that compensation in form of bonuses and non-equity have positive effect on firm performance. The results also revealed that compensation (in the form of salary) negatively affects firm performance.

Manders (2012) documented proof that the level of total compensation has positive effects on the performance of company measured with Tobin's Q. Additionally, this study showed that performance has positive effect on the percentage of equity compensation of CEOs. Finally, the study found stronger association between equity-based compensation and performance of company, than total compensation and performance of company. Zhou, Georgakopoulos, Sotiropoulos and Vasileiou (2011) analysis showed that the performance of non-performing loan ratios and Return on equity had significant effect on compensation to directors. On the other hand, no relationship was established between performance of bank and compensation to managers, and thus no impact of changes in compensation on performance.

From the viewpoint of agency theory, the association between firm performance and director's pay offers an essential motivation upon which the board members in an organization could be employed to confront the agency problem. Nevertheless, the increasing heights of pays to directors for the past two decades have increased attention and concern amongst shareholders, market observers and potential investors and thus making it an agency problem as opposed to being the needed solution to the agency problem (Yatim, 2010). Starting from the original papers of Alchian and Demsetz (1972) and Jensen and Meckling (1976), the agency theory is based on the contractual view of the firm, and hence focuses on the relationship between the principals (shareholders) and the agents (executives and managers) of the company.

3. Methodology and Models

The study employed causal comparative research design. The study population is the 14 commercial banks quoted on the Nigerian Stock Exchange (NSE) as at December 31st, 2018. Census approach was adopted and as such the entire population was used in the analysis based on availability of data. Secondary data source were utilized and information needed were extracted from the published annual financial statement of banks. Panel Least Square Technique was employed for the study. The robust ordinary least square and the generalized least square were used which includes fixed effect and random effect models. Various validations tools were used to validate both the data and the tool of data analysis which includes multicollinearity, normality, heteroscedasticity, hausman specification, langrange multiplier tests for establishing panel effect.

The banks were partitioned into two and this was achieved through the categorization of the banks into high levered banks and low levered banks. This method was adopted from Farouk (2018) and Arun, Almahrog and Aribi (2015), where they used mean and median respectively as the basis of partitioning the firm into high levered and levered and high debt and low debt firms respectively. The average mean was 0.85. Therefore, any bank whose leverage is from 0.85 and above are categorized as high levered banks and those banks whose leverage is 0.84 and below are considered as low levered banks. From this, sixty-eight (68) observations fall under the low levered banks, while one hundred (100) observations fall under the high levered banks making a total of one hundred and sixty-eight (168) observations.

Following the review of literature, the models below have been developed based on the review of variables.

$$TQ_{it} = \beta_0 + \beta_1 CEOP_{it} + \beta_2 CCOM_{it} + \beta_3 HPDI_{it} + \beta_4 ESOW_{it} + \beta_5 CEOP * ESOW_{it} + \beta_6 CCOM * ESOW_{it} + \beta_7 HPDI * ESOW_{it} + \beta_8 ESOW_{it} + \beta_9 FSZ_{it} + e_{it}$$

TQ = Tobin's Q (Value of Bank), CEOP: CEO Pay, CCOM: Chairman's Compensation, HPDI: Highest Paid Director, ESOW: Executive Share Ownership, FSZ: Firm Size, e: Error term, i and t: banks i and year t.

Table 1: Variables and Measurements

S/N	Variable	Status	Measurement	Justification
1	Tobin's Q	Dependent variable	Market value of all shares in issue plus market value of all liabilities divided by replacement value of all production capacity	Wolfe and Aidar Sauaia (2003)
2	CEO Pay	Independent variable	The total pay to the CEO	Kruger & Deysel (2015).
3	Chairman's Compensation	Independent variable	The total compensation to the Chairman of the board	Ozkan (2011).
4	Highest Paid Director	Independent variable	Total pay to the Highest Paid Director	Krauter & Sousa (2013)
5	Executive Share	Moderator	Ratio of shares held by	Farouk (2018)

	Ownership	variable	executive directors to total shares outstanding.	
6	Firm Size	Control variable	Total value of Customers' Deposit	Yusuf & Abubakar (2014), Olalekan, & Bodunde (2015).

4. Regression Results and Analysis

4.1 Descriptive Analysis

First, the descriptive analysis table is presented under Table 2 berawhich shows the smallest and largest value of each data set, Mean values, Standard deviation, Jacque bera and Shapiro wilk of the variables of the study.

Table 2: Descriptive Table

Variables	Small	Large	Average	Std. Dev	Sk. test	S. Wilk
TOBIN'S Q	28.19	85.00	60.56	11.38	0.0537	0.02501
CEOP	15.63	22.14	19.35	0.960	0.0023	0.00555
CCOM	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
ESOW	0.0001	0.347	0.069	0.078	0.0000	0.00000
FSZ	18.35	22.13	20.42	0.86	0.0924	0.12134

Source: Output STATA 13

Table 2 shows the smallest value for value (TOBIN'S Q) is 28.19 which imply that the miTobin's Qum value for value was 0.2819 within the period of the study for the banks. Meanwhile, when matched with the largest value of value, it shows that TOBIN'S Q was at its peak to the level of 0.85. The average value additionally substantiates the fact that the financial performance was high for the period. CEO pay recorded a smallest value of ₦850, 000 and largest value of about ₦4, 000,000 which connotes that the within the banking sector and the period studied, there were banks that pay their Chief executive officer below a million naira implying the least pay. However, the highest pay for CEOs was about four (4) million naira within the period.

Compensation to Chairmen had smallest value of ₦1, 500, 000 and a largest value of ₦6, 600,000 which means that the miTobin's Qum amount paid by banks to chairman of the board was one million five hundred thousand naira, while the largest amount paid to board chairman for the period stood at about six million naira. Highest Paid Director had a smallest value of ₦1,700,000 and largest value of ₦6,850,000 which means that there was is a member of the board of directors whose least pay amongst the highest paid director stood at one million, seven hundred thousand Naira, while, the largest amount recorded for highest paid director amongst the board members was about six million naira.

Shares owned by executives showed a smallest value of less than 1% and largest value of 71.59% for the banks in the period under review. The average value of about 9.67 connotes that, on the average, majority of the executives owned at least 10% of the total shares held in the banks for the period. The probability values from the Jacque bera and Shapiro wilk tests for normality shows that only the highest paid director and executive ownership variables are

normally distributed. But however, this does not in any way affect the inferences to be made from the result.

4.2 Correlation Evaluation

The correlation evaluation was done using the information on Table 3 of the study shown below. This table showcased the values from Pearson correlation test conducted and it also shows the level of significance of the associations amongst variables used.

Table 3: Correlation Table

	TOBIN'S Q	CEOP	CCOM	HPDI	ESOW	FS
TOBIN'S Q	1.0000					
CEOP	0.1684*	1.0000				
CCOM	-0.1742*	0.0501	1.0000			
HPDI	-0.2232*	0.1881*	0.0602	1.0000		
ESOW	0.2217*	-0.0137	-0.1112	-0.0468	1.0000	
FS	0.1185	0.3692*	-0.1320	0.5356*	0.1302	1.0000

* Acceptable level of significance is at 5%

Table 3 showed the financial performance as proxied with TOBIN'S Q to be positively correlated with CEO Pay to the level of 16%. This means that TOBIN'S Q has straight link and association with CEO Pay. Compensation to Chairman was found to exact negative relationship on financial performance to the level of 17% which connote also an indirect link between TOBIN'S Q and Chairman's compensation variables. TOBIN'S Q showed a negative association linking highest paid director at a level of 22%. Therefore, this showed a correlation between the two variables and thus implying movement in different direction. Executive share ownership was found to have positive link with TOBIN'S Q of banks thus suggesting a direct link at a magnitude of 22%. Firm size used as control variable has positive association with TOBIN'S Q at a level of about 11% which implies direct link between firm size and TOBIN'S Q.

Generally, the association amongst the explanatory variables of the study was found to be largely not significant and this is what is expected. However, on overall, Variance Inflation Factor (VIF) and tolerance values were estimated and the results show absence of multicollinearity (Cassey & Anderson, 1999). To further allay the fear, the mean VIF was estimated and the value of 1.29 was arrived at which connotes that multicollinearity is not threat to the inferences from the result. The allowable VIF is that it must be consistently less than 10 in all situations to be adjudged free from multicollinearity problem.

4.3 Regression Analysis

This section presents analyses, interpret and make comparison between the high and low levered banks in relation to executive compensation and share ownership on financial performance proxied with Tobin's Q. It was earlier hypothesized in section one that executive compensation and share ownership effect on financial performance has no significant difference for high and low levered banks in Nigeria. Based on the result below and its subsequent analysis, the hypothesis is tested.

Table 4: Summary of Robust OLS Regression

Variables	High levered			Low levered		
	Coeff.	Z-stat	Prob	Coeff.	Z-stat	Prob
Constant	117.2	10.26	0.000	6.382	6.69	0.000
CEOP	5.702	1.84	0.069	10.40	1.80	0.077
CCOM	-0.032	-0.01	0.992	-7.809	-1.10	0.277
HPDI	-0.810	-2.00	0.005	-0.441	-0.57	0.568
CEOP*ESOW	-0.110	-0.04	0.972	-0.305	-0.04	0.971
CCOM*ESOW	0.390	0.16	0.874	2.673	0.38	0.704
HPDI*ESOW	-0.076	-1.00	0.322	-0.114	-0.90	0.371
ESOW	0.003	1.17	0.243	0.005	0.75	0.455
FSZ	-1.820	-1.54	-1.54	0.549	0.25	0.802
R ²	0.2331			0.1829		
F-Statistics	3.72			2.70		
P-values	0.0008			0.0132		
Test of Sig. Diff. (F)	10.35			5.19		
Probability F	0.0559			0.3936		

Source: Result output from STATA 13

The R² of 0.2331 and 0.1829 for high-levered and low levered banks under model II indicate that the about 23% and 18% of the changes in value of listed banks is explained by the CEO pay, compensation to chairman, highest paid director, moderated CEO pay, moderated chairman's compensation, moderated highest paid director, executive share ownership and bank size jointly.

Comparing the R² between the high and low levered models, it shows that the independent variables under the high levered banks explain the dependent variable greater than the low levered banks. Furthermore, the test for significance difference has a chi-square value of 10.35 at 10% level of significance and chi-square of 5.19 at not significant at level of 5%. This implies that there is a little difference of significance between the moderated variables and un-moderated variable, while there was no significant in the difference recorded between the moderated and un-moderated variables for low-levered banks.

The Fisher exact statistics test value for the high and low levered banks are 3.72 and 2.70 and they are significant at 1% level respectively. This connotes that the models of the study are fit. This means that for any variation in executive compensation and share owned by executive, the financial performance of the banks is directly affected. The probability values of Fisher exact statistics test that is significant at 1% level for both models suggest a 99.9% likelihood that the association among the explanatory and explained variables are not due to just mere occurrence. Thus, this further indicates that the executive compensation and share ownership reliably predict financial performance.

It was observed that the pay to CEO has positive and significant effect on financial performance of quoted commercial banks in Nigeria for both high and low levered banks. This implies that an increase in the amount paid to CEOs, the higher the banks' level of financial performance. However, when CEO pay was moderated with executive share ownership, it exacts negative and insignificant influence on financial performance under both high and low levered banks. This

connotes that when the moderator variable and the CEO pay increases, the financial performance decreases insignificantly. Further to this, CEO pay impact more on financial performance than when it is moderated with executive share ownership.

The results for the high and low levered banks revealed that compensation to chairman had negative but insignificant influence on financial performance of commercial banks. This means that when the amount paid to chairman as compensation increases, the bank's financial performance decreases insignificantly. Meanwhile, when chairman's compensation is moderated with CEO pay, the financial performance of listed commercial banks increases but not significant. This implies that improvement in financial performance occurs when there is a commensurate increase in both chairman's compensation and executive share ownership, then when CEO pay increases alone without increase in executive share ownership.

As shown in Table 4, highest paid director in high levered banks models had negative but significant influence on financial performance, while under the low levered banks; the highest paid director variable has inverse but not a significant influence on financial performance. Therefore, this means that both influences financial performance of banks downward. However, when highest paid director was moderated with executive share ownership, the financial performance reduces insignificantly. This means that for both moderated variables and unmoderated variables under the two categories of leverage, the impact on financial performance remains negative.

Executive share ownership has positive but insignificant effect on performance of listed commercial banks in Nigeria. It means that an increase in the degree of shares owns by executives, the financial performance does not increase greatly. Also, the control variables, bank size was found to have inverse and less impact on financial performance of listed commercial banks for both low and high levered banks.

Finally, the findings in respect of the partitioned regression for high and low levered banks showed significant difference between both on the impact of compensation to executive and share owned by executives on financial performance of listed commercial banks in Nigeria. It therefore provides evidence of rejecting null hypothesis of the study.

4.4 Policy Implication of Findings

A guide to policy makers is in respect of decisions regarding the amount paid to CEO and highest paid directors, emphasis should be on the financial performance when their package is being designed. In other words, increase in pay of these two categories of effectiveness should be tied to performance. Also, the regulators should consider the need of all the individual banks when they set a benchmark on the amount to be received by these categories of executives.

From the regulation point of view, since the chairman of the board does not participate in the day-to-day running of the organization. As such, the amount paid to them should be based on number of meetings held and not on monthly basis. In other words, the regulators should design

an allowance template for meetings especially for chairman and directors that do not participate in the day-to-day running activities of the banks.

5. Conclusion and Recommendations

The study concluded that paying a higher compensation to Chairmen of the board of banks does not guarantee increased value as high compensation may allow them become even complacent over its oversight functions and thus reducing the value of the bank. On the other hand, it can be concluded too that executive share ownership increase when the compensation of Chairman Increases, may not play an enhancing role towards the value of the firm significantly. Increase in the amount of highest paid director is inversely linked with financial performance in terms of the banks' value. Most of the directors who received highest pay are foreign directors, their inability to influence market based financial performance positively could be their low interest in the banks in terms of share ownership. However, commensurate increase on compensation to highest paid directors and shares ownership proves to be inversely related to value of the firm with a significant influence. It can be concluded that simultaneous increase the compensation of highest paid director and executive share ownership diminish the financial performance greatly.

It is recommended that policy makers, regulators which include Central Bank of Nigeria and Securities and Exchange Commission should mandate the management of the banks to take into cognizant and be courteous when paying high compensation paid Chairman of board as this may be responsible for them to become complacent towards increased financial performance. Furthermore, the percentage of shares held by Chairman in the banks should be increased in order to increase their level of stake in the banks as this will serve as a stimulus for them to be focused and interested in increased financial performance in order to attract higher return on their investment and also to get bonus compensation from the management. The amount paid to highest paid directors in banks should be improved, as this is will enhance the value of the banks. The study suggested that the management of the banks should set a condition of increased performance as the basis to get increased pay so as to encourage the directors to do more in to attract higher performance. Management should discourage highest paid directors from having a high stake in the firm or having a high stake in the banks should not be a condition to be the highest paid director. This is to discourage undue advantage that could lead to decrease in the financial wellbeing of the banks.

The study is limited to three variables of executive compensation (CEO pay, Chairman Compensation and Highest paid director) and one moderator variable which is share ownership and control variable size. The study is limited to only one measures of financial performance which is value. It is also suggested that, further studies should consider the inclusion of total compensation and staff costs as measure of executive compensation. Other researchers should consider other measures of financial performance which includes return on assets, return on equity, share price, economic value added (EVA) and enterprise value (EV) for comparison purposes.

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