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Executive Directors' Emoluments and Financial Performance of Listed Deposit Money Banks in Nigeria

Olugbenga O. DOPAMU[1], Rasheed Olatunji ANIMASAUN[2], Samuel A. OLADAYO[3], Oluwadamilola O. DAODU[4], Mohammed A. ADEDAMOLA[5]
[1,2,3,4,5] Department of Accounting, College of Arts, Social and Management, Crescent University, Abeokuta

ABSTRACT: Financial performance remains a key concern to investors, shareholders and regulators because it controls the stability, growth and sustainability of deposit money banks. There are still questions about whether executive directors' salaries improve banks' financial performance, even after the Central Bank of Nigeria implemented measures to bolster the banking industry. This research looked at how executive directors' salaries affected Nigerian deposit money institutions' bottom lines. Using secondary data from the published annual reports and audited financial statements of fifteen (15) deposit money banks listed on the Nigerian Exchange Group during a ten-year period (2016–2025), the study used *ex post facto* research approach. Panel regression, correlation analysis, and descriptive statistics were used to analyze the data, utilizing both random and fixed effects models. The results showed that executive director compensation had a statistically significant impact on revenue growth (Adj $R^2 = 0.89$, F-statistic = 74.16, $p < 0.05$) and return on equity (Adj $R^2 = 0.78$, F-statistic = 178.46, $p < 0.05$). In particular, revenue growth and return on equity were positively and significantly impacted by directors' fees, whereas short-term benefits had a positive but statistically negligible impact. The study found that executive directors' compensation improves deposit money banks' financial performance, albeit the impact varies according to the performance metrics. It suggested that in order to increase management effectiveness, enhance shareholder value, and foster sustainable financial success, compensation committees should regularly examine executive compensation packages and implement competitive and performance-based compensation systems.

KEY WORDS: Allowances, Corporate governance, Performance, Firm Size, Investors, Management

INTRODUCTION

The performance of deposit money banks in Nigeria is mixed (NDIC, 2024). The banks record strong growth in assets base and improvement on capital Adequacy ratio (CAR). Notwithstanding, they were faced with the issue of liquidity management and the challenge of costly funding. Their embrace of digitalization boosted their profitability on one hand, while they are still battling with the volatility of interest rate, credit risk management and new recapitalization requirements for their survival, growth and stability. The total assets increased substantially from ₦113.23 trillion to ₦160 trillion as at December 2024 by year-on-year basis (Central Bank of Nigeria, 2025). The surge represents a growth of 41.31% from last year. The growth was caused mainly by the loans and advances. These assets stood for 29 commercial banks, 6 merchant banks and 4 non-interest banks (NIBs).

The term performance is a generic term used to address the past, present and future conduct of the activities of banks for a period with respect to cost efficiency, transparency, level of accountability and the extent of management responsibility. Performance is used to describe firms' successes, level of compliance, state and conditions. In real terms, financial performance of banks refers to the extent to which financial goals are being or have been achieved in alignment with the interests of the shareholders. It is the process of evaluating the outcomes of banks' policies and operations in monetary parlance. Financial performance measures the bank's overall financial strength and health year-on-year basis or to compare industries horizontally or in aggregation (Okpo et al., 2023).

The executive directors are expected to be remunerated handsomely as they play strategic roles in engendering performance. However, this remuneration must be carried out with care so as not to have negative consequences. The executive directors must also consider the primary objective of the banks, which is wealth maximization or else the achievement of this will be difficult because of information asymmetry. Most executive directors who perform creditably are always in high demand and it is expected naturally that such executives will demand higher than those who perform below expectation. It is no longer a gainsay that banks' expenses relate to the level of performance. An increase in operating expenses tends to reduce performance if not properly managed. In the light of this, banks must analyse the operating expenses with the aim of becoming competitive. The executive directors' emoluments are always part of the analysis to be carried out (Komolafe, 2024).

As the banks strive to enhance their performance towards the ever-increasing global competition, there is a significant need to draw a line of connection between the executive directors' emoluments and the organizational performance. The question of how much executive directors should be paid for the purpose of encouraging, attracting and retaining them in this era of global competition on the one hand, and attaining the achievement of shareholders' wealth maximization on the other hand remains a subject of interest. In an emerging economy, like Nigeria, executive emoluments guide, policies and basis of computation are not well entrenched in the corporate governance code of best practices for banks to adhere to. So, the audit committee whose part of their responsibilities is to fix the salary of executive directors seems to be less guided in determining the level of pay packages (Barde et al., 2023).

The emergence of global banking crisis has been partly attributable to inadequate remuneration policies within the financial industry. There is a belief that financial crisis was induced because of inappropriate incentives. In another version, it is believed that executive directors of banks are to create value and yield returns for the shareholders. Now, should they be entitled to high package of emoluments when they refuse to create the expected growth? The financial analysts argued that huge remuneration packages cannot become contentious if it becomes crystal that the directors earn these packages when the protection of shareholders' interests is guaranteed (Odey, 2025).

Statement of the Problem

The past financial turbulence in the financial sector among the financial institutions, particularly the deposit money banks, has ignited the interest of this study. It sounds funny, if a bank's financial statements look healthy because of assurance provided by the external auditors but within a couple of months such bank goes under the water. Then, the purported financial performance of that bank is in question. The credibility of the financial information to the users is eroded. The financial performance of a business concern, to shareholders specifically and stakeholders at large, is crucial as it enhances the value of the company. The market price of the company depends on the financial performance of the firms (KPMG, 2023).

Therefore, the management, board of directors as well as the shareholders cannot afford to keep their arms fold while the basis of compensating the shareholders in terms of dividend, compensating lenders of funds in terms of interests, compensating employees in terms of salaries, compensating suppliers in terms of prompt payments, compensating governments in terms of taxes and attracting the investors in terms of increase in market price is not forthcoming as a result of information asymmetry. Deposit money banks are instruments of developing and growing the economy of a country. Its genuine financial performance matters a lot to the economy. Persistent reforms by the Central bank of Nigeria (CBN) on Deposit money banks is indicative of the existence of instability and non-resilience in the financial landscape in Nigeria. The overall problem in that case is the lack of real earnings quality which translates into finding all possible means of misrepresenting the financial information (Groysberg et al., 2021).

As part of reforms carried out by CBN, bank recapitalization requirements were reviewed. A new minimum capital base was set for banks on March 28, 2024. All deposit money banks with international authorization must have ₦500 billion minimum capital base. The commercial banks with national authorization should get a minimum of ₦200 billion as their new capitalization. The new capital base requirements for the banks with regional authorization were set at 50 billion. CBN listened to the complaints of the banks' customers which were not fewer than 20,000 from October 2023 to September 2024. Out of these complaints, over 15,000, which stood at almost 77% were resolved successfully. The Apex bank refunded approximately ₦7.05 billion to customers in distress with deposit money banks which was equivalent of $714,569.03. This shows the commitment of CBN to fair dealings with banks' customers. CBN also fosters corporate governance by strictly enforcing sanctions to ensure compliance, increase transparency, accountability and debar unethical practices within the financial industry (CBN, 2025).

The amount of money to pay to executive directors as managerial compensation has been controversial among the shareholders. Some schools of thought are of the opinion that they need to be remunerated well so as to forestall financial scandals as this will allow them to align their interests with the interests of the owners. Put differently, some shareholders see high package of the executive directors' emoluments as an inducement of managerial fraud. This inconclusiveness was also noticed in empirical studies such as Ogunleye and Dahunsi, 2023, Opudu, *et al.,* (2022), Solomon, *et al.,* (2022), Adegbie, *et al.,* (2022), Sha'awa, *et al.,* (2023) as there were no decisive findings of how executive directors' emoluments influenced the financial performance of deposit money banks. So, the need for this research work will be anchored on the identified inconsistency in past studies.

Objective of the Study

The study seeks to:

i. assess the effect of executive directors' emoluments on return on equity of deposit money banks in Nigeria
ii. evaluate the effect of executive directors' emoluments on revenue growth of deposit money banks in Nigeria

LITERATURE REVIEW

Conceptual Review

Financial Performance

The term *performance* originates from the word *"parfourmen,"* meaning *to do*, *to carry out*, or *to render*. It generally refers to the act of executing tasks or achieving set objectives, including accomplishment, fulfillment, and execution. In a broader context, performance denotes the extent to which a specific task is completed in relation to predetermined standards such as accuracy, completeness, cost, and speed. It therefore reflects the degree to which objectives have been or are being achieved. Performance is a broad concept that applies to some or all organizational activities over a given period, considering past or projected efficiency, cost-effectiveness, managerial responsibility, and accountability. Consequently, performance goes beyond mere presentation to emphasize the quality and outcomes of results achieved. It is commonly used as an indicator of a firm's success, operational condition, and level of compliance (Adeleke & Kareem, 2021).

Financial performance specifically relates to the execution of financial activities within an organization. More broadly, it refers to the extent to which financial objectives have been achieved. It involves evaluating the outcomes of a firm's policies and operations in monetary terms. Financial performance assessment is essential for determining a firm's overall financial health over a specific period and allows for comparisons among firms within the same industry or across different sectors.

Return on Equity

Emoluments

Return on equity (ROE) represents the share of a firm's profits attributable to its shareholders and serves as an important measure of how efficiently equity capital is employed (Obey, 2025). It evaluates a company's ability to generate returns from shareholders' investments and is widely used to assess profitability relative to the equity base (Mishra & Kapil, 2020). A rising ROE generally indicates effective utilization of shareholders' funds, leading to improved earnings growth and increased investor value.

ROE is also regarded as a reliable indicator of a firm's prospects, as it provides insight into profitability, growth potential, and long-term sustainability (Okpo *et al.,* 2023). Its simplicity makes it a practical tool for investors, enabling quick comparisons of stock performance and supporting efficient decision-making. Consistent or increasing ROE is often associated with sustained corporate success.

Analysis of ROE trends allows investors to evaluate past performance and anticipate future growth, thereby supporting informed investment decisions. Research by Olaniyi and Ajayi (2021) identifies ROE as one of the most used measures of corporate performance, with higher values typically signaling superior management efficiency and stronger profit-generation capacity. This ratio reflects the rate of return earned on shareholders' equity and indicates the benefits received from their investments.

Furthermore, ROE provides a comprehensive assessment of a firm's profitability, financial efficiency, and value-creation ability by relating net income to shareholders' equity (Odey, 2025; Olaniyi & Ajayi, 2021). Sha'awa et al. (2023) describe ROE as a measure of how effectively a company uses its own capital to generate net income after tax, while Ughulu et al. (2023) emphasize its role in illustrating a firm's efficiency in transforming equity into earnings and shareholder value.

Revenue Growth

Revenue growth, also referred to as sales growth, is a key measure used to evaluate the ability of a firm to increase its sales revenue over a specified period. It is an important indicator of organizational performance and is essential for the long-term survival and financial expansion of a company. The sales growth ratio measures the change in sales value between two periods and reflects the rate at which sales increase over time. Firms experiencing high sales growth often require additional investment in assets, including both fixed and working capital, to support increased operations. By analyzing sales growth, a company can estimate potential profit levels and plan for future resource requirements. Strong sales growth can benefit both the organization and its employees through higher wages, acquisition of new assets, business expansion, or diversification of product lines. In contrast, negative sales growth is undesirable, as it may indicate ineffective strategies or poor managerial decisions (Appah, *et al.,* 2020).

Executive Directors' Emoluments

Emoluments refer to the monetary payments employees receive for performing their duties, as well as the various benefits and services provided by an organization. Monetary payments are classified as direct compensation, commonly known as wages or salaries, while benefits and services are considered indirect compensation.

Executive compensation differs from that of other employees in most organizations. It applies to senior management positions such as company presidents, chief executive officers (CEOs), chief financial officers (CFOs), vice presidents, board directors, and other top-level managers. These individuals receive executive compensation due to the strategic nature and level of responsibility associated with their roles (Bala, 2025).

Executive pay plays a significant role in corporate governance and is typically determined by a company's remuneration or compensation committee. An effective executive compensation system is based on strong governance structures and clearly defined compensation policies and practices. Such systems are designed to align executive rewards with the organization's overall goals and long-term objectives.

Executive compensation, also known as managerial remuneration, refers to the total payment provided to senior executives in business organizations. Because skilled managers are limited in supply, firms compete to attract, retain, and motivate competent leaders who are essential for achieving strategic objectives. Executive compensation includes all forms of financial rewards received by top managers, such as basic salary, bonuses, shares, stock options, and other employment benefits.

Senior executives, particularly the chief executive officer (CEO), are responsible for directing the organization's strategy and overseeing its operations. Compensation arrangements for these executives are designed by the remuneration or compensation committee of the board of directors. The objective of executive compensation is to offer a payment package that is sufficient to attract and retain qualified individuals while also motivating them to act in the best interests of the company (Barde *et al.,* 2023). Typically, executive compensation packages include short-term incentives, such as salary and annual bonuses, and long-term incentives, such as stock options and restricted shares. In some cases, additional provisions such as severance agreements, change-of-control clauses, and pension benefits are also included.

Directors' Fees

Executive directors, who are actively involved in the day-to-day operations of the company, are usually compensated through an agreed executive remuneration structure. This compensation covers their responsibilities, including attendance at board meetings, and therefore additional fees for board service are generally not paid outside the agreed remuneration package (Groysberg, *et al.,* 2021).

In contrast, non-executive directors may receive director fees only if such payments are permitted by the company's constitution or approved through a formal resolution. This resolution must be passed and properly documented before any fees are paid. Director fees are paid separately from reimbursements for expenses, such as travel costs incurred while attending board meetings or conducting company-related activities.

Director fees are subject to disclosure requirements, particularly for listed companies, not-for-profit organizations, and financial institutions regulated by relevant authorities. These entities are often governed by specific rules, and professional advice is recommended when determining director remuneration. In some cases, director fees may be contributed to a director's superannuation fund under an effective salary sacrifice arrangement, provided the arrangement is established before the fees are earned and contribution limits are not exceeded.

Short-term Benefits

a. Salary

Salary is a primary component of executive remuneration and is usually determined through job evaluation. It also serves as the foundation for other forms of compensation. However, job evaluation alone may not fully explain executive pay, as executives are often compensated based on their skills, experience, and potential contributions rather than only the specific requirements of their positions. As a result, standard wage and salary structures are often not strictly applied when determining executive salaries.

Within the total compensation package, salary represents a relatively smaller portion because it is subject to taxation and government-imposed limits. To compensate for these restrictions, organizations frequently provide executives with additional incentives and benefits. Despite its limitations, salary plays an important role in attracting and retaining highly skilled executives.

Executive salary reflects the balance between demand and supply in the labor market for managerial talent (Hassan & Oladapo, 2020). They suggested that salary increases are closely linked to executive promotions, indicating that significant salary growth often occurs alongside advancement to higher positions. They further argued that salary is particularly effective as an incentive for risk-averse chief executive officers, as they tend to prefer stable increases in fixed income rather than variable forms of compensation.

However, researchers have raised concerns about the effectiveness of bonuses as incentives. Hassan and Oladapo, (2020) argue that bonus payments may encourage short-term decision-making since they are usually based on current-year performance. Long-term investments, such as mergers, acquisitions, or major capital projects, may not yield immediate financial returns, which can reduce bonuses in the short run despite their long-term value. As a result, executives may prioritize short-term gains over long-term strategic investments.

Akinwunmi and Babajide, (2021) using a pay–performance framework, measured firm performance based on changes in shareholder wealth and found that bonuses, although a significant component of executive compensation, are not strongly linked to firm performance. They explained this weak relationship by noting that bonuses are often tied to overall company performance, which reflects the combined efforts of all employees rather than the individual contribution of the chief executive officer.

Theoretical Framework

This study is grounded in agency theory, which explains the complex relationships that exist within firms among parties with differing interests. Shareholders seek to maximize their wealth and rely on management to achieve this objective. Managers, on the other hand, may prioritize job security by avoiding excessive risk in their decision-making. Despite these differing motivations, both shareholders and managers benefit from the firm's profitability and long-term success.

Agency theory focuses on the relationship between principals and agents. In this context, shareholders act as principals whose primary objective is wealth maximization, reflected in strong and sustainable firm performance. Managers serve as agents and are responsible for the day-to-day operations of the firm, ensuring its continued growth and survival. To promote consistent improvement in firm performance, executives must be adequately motivated, often through appropriate compensation structures.

Agency theory is widely used to explain the design of executive compensation policies. The separation of ownership and control creates information asymmetry and potential conflicts of interest between shareholders and managers (Jensen & Meckling, 1976). To address these challenges, agency theory proposes various monitoring and control mechanisms aimed at aligning managerial actions with shareholder interests. Among these mechanisms, compensation policies play a central role by linking executive rewards to firm performance, thereby encouraging managers to act in ways that support owners' objectives.

Empirical Review

Executive Directors' Emoluments and Return on Equity

Rehman, et al. (2021) examined the sensitivity of CEO pay to firm performance using a multi-equation model. In their study, return on equity and debt-to-assets ratios were used as performance measures. The sample consisted of 431 firms listed on NASDAQ between 2003 and 2021. Data was obtained from CRSP for stock prices, COMPUSTAT for financial information, and corporate reports for CEO demographic characteristics such as age and tenure. The findings indicate that CEOs are rewarded for improved profitability and for adopting innovative and disruptive technologies as competitive strategies.

Padia and Callaghan (2021) investigated the relationship between CEO compensation component, salary, bonus, and total compensation and accounting-based firm performance. The study focused on firms listed on the New York Stock Exchange between 2015 and 2019 and employed a quantitative research approach using a stratified sample of 120 firms. The results revealed a significant relationship between CEO compensation and firm performance, as well as an association between CEO dual roles and compensation outcomes.

Lemma, *et al.* (2021) explored the relationship between top management team compensation and firm performance in U.S.-based companies. Using data from a random sample of firms listed in 2018. The study applied ordinary least squares regression analysis. Executive stock options were valued using the Modified Black–Scholes method. The findings show a significant relationship between CEO compensation and accounting-based performance, explaining 11.4% of the variation in performance measures. Additionally, compensation for vice presidents was found to have a stronger direct association with firm performance than CEO compensation.

Executive Directors' Emoluments and Revenue Growth

Appah, *et al*. (2020) investigated the determinants of CEO compensation by examining the relationship between executive pay and firm-specific characteristics. Their study analyzed companies listed on the London Stock Exchange over the period 2016 to 2020. Data was collected through content analysis of annual reports and official exchange disclosures, and linear regression techniques were applied. The results indicate a positive relationship between directors' remuneration and firm size in both the UK and Poland. Additionally, executive pay was found to be positively associated with revenue growth, which served as the proxy for firm performance.

Akinwunmi (2020) examined executive pay disclosure and incentive-based compensation among large Nigerian firms and provided evidence consistent with the optimal contracting theory. The study found a positive relationship between the presence of insider directors on board and the level of pay disclosure. It also revealed that incentive-based compensation increases with a higher representation of insiders on the board.

Barde *et al.* (2023) explored the role of executive compensation, particularly kind benefits, in influencing earnings per share. The findings suggest that kind benefits with a greater presence of control variable may serve shareholder interests more effectively than dominated by explanatory variables only, a conclusion that contrasts with much of the existing literature.

METHODOLOGY

This study adopted longitudinal research design and utilized secondary data to investigate the executive directors' emoluments and financial performance of deposit money banks in Nigeria. Secondary data was used for the investigation. The population of the study comprised twenty-two (22) deposit money banks in the capital market of Exchange Group as at 31st December, 2025. The sample size for the study consisted of fifteen (15) banks selected from the twenty-two (22) deposit money banks in Nigerian Exchange Group as at 31st December, 2025. A non-probability sampling technique was adopted to enable the selection of banks that met specific inclusion criteria relevant to the study objectives. Deposit money banks were focused upon as organizational area of study among the components of financial institutions because of the ease of accessing data and consistent annual reports and financial statements for the study period covering 2016–2025. Panel data covering a ten-year period from 2016 to 2025 were sourced from published fact books, annual reports, and audited financial statements of the selected deposit money banks. This study adopted descriptive and inferential statistical techniques for data analysis. Descriptive statistics were used to summarize and present the basic features of the data, while inferential statistics were applied to examine the relationships between executive directors' emoluments and financial performance.

Model Specification

Two categories of variables were employed in this study: independent and dependent variables. The dependent variables comprised Return on Equity (ROE) and Revenue Growth (RG). The independent variables were directors’ fees (DF) and short-term benefits (SB). In line with the recommendation of Groysberg, *et al.* (2021), the study controlled for factors capable of influencing dependent variables.

$Y = f(X)$

Y = dependent variable (Financial performance)

X = independent variable (Executive directors’ emoluments)

$Y = y_1, y_2, y_3$

y_1 = ROE

y_2 = RG

ROE = return on equity

RG = revenue growth

$X = x_1, x_2$

x_1 = DF

x_2 = SB

DF = directors’ fees

SB = short-term benefits

$Y = f(X)$

$y_1 = f(\mu_0 + \mu_1 x_1 + \mu_2 x_2)$

$y_2 = f(\mu_0 + \mu_1 x_1 + \mu_2 x_2)$

$y_3 = f(\mu_0 + \mu_1 x_1 + \mu_2 x_2)$

$ROE_{it} = \mu_{0it} + \mu_1 \log DF_{it} + \mu_2 \log SB_{it} + \varepsilon_{it}$

$RG_{it} = \mu_{0it} + \mu_1 \log DF_{it} + \mu_2 \log SB_{it} + \varepsilon_i$

A Priori Expectation

Table 1: _A Priori_ Expectation

S/N	Models	*A Priori* Expectation	Expected Sign
1	$ROE_{it} = \mu_{0it} + \mu_1 \log DF_{it} + \mu_2 \log SB_{it} + \varepsilon_{it}$	$\beta_0 - \beta_2 > 0$	Positive (+)
2	$RG_{it} = \mu_{0it} + \mu_1 \log DF_{it} + \mu_2 \log SB_{it} + \varepsilon_{it}$	$\beta_0 - \beta_2 > 0$	Positive (+)

Source: Researcher’s Computation (2026)

RESULTS AND ANALYSIS

Descriptive Statistics of the Study Variable

The research variables' descriptive statistics are shown in Table 1. The average Return on Equity (ROE) and Revenue Growth (RG) for the sampled deposit money banks over the research period were 21.24 and 22.41, respectively, according to the data. Executive directors appear to have earned significant compensation based on the mean values of directors' fees (LnDF = 12.36) and short-term benefits (LnSB = 16.36). The majority of the variables showed modest heterogeneity among the examined banks, according to the comparatively low standard deviations. All of the variables are positively skewed, according to the skewness values, with LnSB exhibiting a significant level of skewness. Additionally, the Jarque-Bera probability values show that whereas RG, LnDF, and LnSB stray from normality ($p < 0.05$), ROE is normally distributed ($p > 0.05$). Overall, the descriptive statistics show that the variables vary reasonably, which qualifies them for additional regression analysis.

Table 1: Measuring the Descriptive Attributes of the Variables

Statistics	ROE	RG	LnDF	LnSB
Mean	21.24	22.41	12.36	16.36
Median	21.00	21.50	12.34	16.30
Maximum	30.00	55.00	13.42	18.42
Minimum	14.00	5.00	11.52	15.42
Std. Dev.	3.62	11.37	0.51	0.23
Skewness	0.18	0.53	0.14	3.36
Kurtosis	2.37	2.64	1.96	35.74
Jarque-Bera	4.38	10.60	9.75	9309.26
Probability	0.11	0.00	0.01	0.00

Source: Researcher’s computation, 2026

Correlation Matrix

The degree of relationship between the studied variables is displayed in the correlation matrix. The findings show a substantial positive correlation between Return on Equity (ROE) and Revenue Growth (RG) ($r = 0.76$), indicating that increased profitability is linked to improvements in revenue growth. While short-term benefits (LnSB) also show positive connections with ROE (r = 0.39) and RG (r = 0.46), directors' fees (LnDF) are favorably connected with ROE (r = 0.49) and RG (r = 0.42). The positive correlations suggest that higher financial success is linked to executive directors' compensation. Additionally, every correlation coefficient is less than 0.80, which confirms that the explanatory variables are suitable for regression analysis and shows that there is no significant multicollinearity among them.

Table 2: Relationship between One Variable and the Other

Variables	ROE	RG	LnDF	LnSB
ROE	1.00			
RG	0.76	1.00		
LnDF	0.49	0.42	1.00	
LnSB	0.39	0.46	0.28	1.00

Source: Researcher’s computation, 2026

Regression Analysis

Model 1 (ROE Model)

Based on the findings of the Hausman test, panel regression was calculated using fixed and random effects:

- Model 1: Random effects
- Model 2: Fixed effects

The findings indicate that ROE is positively and significantly impacted by directors' fees. Benefits in the short term are favourable but not substantial. About 79% of the variation in ROE can be explained by the model.

Table 3: Correlation Random Effects: Hausman Test

Test Summary	Chi-Sq Statistic	Chi-Sq d.f	Prob
Cross-section random	8.822050	4	0.0654

Source: Researcher’s computation, 2026

The random effects model is the proper estimator for the return on equity (ROE) model, according to the Hausman test result ($\chi^2 = 8.822050$, $p = 0.0654$). The estimated model may be written as follows:

$ROE_{it} = \mu_{0it} + \mu_1 \ logDF_{it} + \mu_2 \ logSB_{it} + \varepsilon_{it}$……………………………(1)

$ROE_{it} = -69.14 + 2.74logDF_{it} + 0.21logSB_{it} + \varepsilon_{it}$

Directors' fees (LnDF) and short-term benefits (LnSB) exhibit favorable correlations with return on equity (ROE), according to the regression findings. In particular, ROE rises by 2.74% for every 1% increase in directors' remuneration and by 0.21% for every 1% increase in short-term perks. This suggests that, although the impact of directors' fees is greater than that of short-term gains, executive directors' compensation has a favorable impact on the return on equity of deposit money banks in Nigeria.

Decision on Hypothesis One:

Based on the null hypothesis, the return on equity of Nigerian deposit money institutions is not significantly impacted by executive directors' salaries. The random effects model is statistically significant, as shown by the Adjusted R2 of 0.78, the F-statistic of 178.46, and the overall model significance. Return on equity is positively impacted by directors' fees (LnDF) ($\beta = 2.74$) and short-term benefits (LnSB) ($\beta = 0.21$). As a result, the analysis rejects the null hypothesis and comes to the conclusion that executive directors' compensation significantly affects the return on equity of Nigerian deposit money institutions, with directors' fees being the primary driver of this importance.

Table 4: Panel Regression Results for Return on Equity (ROE)

Variables	Fixed Effects	Random Effects
C	**(-69.79)*** -8.16	**(-69.14)*** -8.46
LNDF	**(2.97)*** 3.87	**(2.74)*** 4.32
LNSB	(0.13) 0.24	(0.21) 0.40
R-squared	0.87	0.79

Variables	Fixed Effects	Random Effects
Adjusted R-squared	0.86	0.78
Durbin-Watson Statistic	1.08	0.96
F-statistic	**(52.56)***	**(178.46)***

Source: Researcher's computation, 2026

Notes: figures in rounded brackets are the parameters of the variables while those under them without brackets are the t-statistic. *** asterics denote probability at 1% level of significance, ** means probability at 5% level of significance and * signifies probability at 10% level of significance.

Model 2 (Revenue Growth Model)

Revenue growth is heavily influenced by directors' fees, although short-term gains are negligible. About 89% of the variability in revenue growth can be explained by the model.

Table 5: Correlation Random Effects: Hausman Test

Test Summary	Chi-Sq Statistic	Chi-Sq d.f	Prob
Cross-section random	28.4615	4	0.0000

Source: Researcher's computation, 2026

The fixed effects model is the proper estimator for the revenue growth (RG) model, according to the Hausman test result ($\chi^2 = 28.4615$, $p = 0.0000$). The estimated model may be written as follows:

$RG_{it} = \mu_{0it} + \mu_1 \log DF_{it} + \mu_2 \log SB_{it}\ \varepsilon_{it}$ ……………………(2)

$RG_{it} = -302.16 + 7.15DF_{it} + 1.14 \log SB_{it} + \varepsilon_{it}$

Directors' fees (LnDF) and short-term benefits (LnSB) show a positive correlation with revenue growth (RG), according to the regression findings. In particular, revenue growth increases by 7.15% for every 1% increase in directors' fees and by 1.14% for every 1% increase in short-term perks. This suggests that the revenue growth of deposit money institutions in Nigeria is positively impacted by executive directors' emoluments, with directors' fees having a greater impact than immediate gains.

Based on the null hypothesis, executive directors' salaries have no discernable impact on Nigerian deposit money banks' revenue growth. The fixed effects model is statistically significant at the 5% level, according to the Adjusted R2 of 0.89, the F-statistic of 74.16, and the model's probability value (Prob. < 0.05). While short-term benefits (LnSB) ($\beta = 1.14$, $t = 0.78$) have a positive but statistically insignificant impact on revenue growth, directors' fees (LnDF) ($\beta = 7.15$, $t = 3.46$) have a positive and substantial effect. As a result, the analysis rejects the null hypothesis and comes to the conclusion that, although directors' fees are the primary driver of the significance, executive directors' emoluments have a considerable impact on the revenue growth of deposit money banks in Nigeria.

Table 6: Panel Regression Results for Revenue Growth (RG)

Variables	Fixed Effects	Random Effects
C	**(-302.80)*** -13.16	**(-293.81)*** -13.61
LNDF	**(7.15)*** 3.46	**(5.20)*** 3.32
LNSB	(1.14) 0.78	(1.49) 1.03
R-squared	0.91	0.86
Adjusted R-squared	0.89	0.86
Durbin-Watson Statistic	0.68	0.58
F-statistic	**(74.16)***	**(300.71)***

Source: Researcher's computation, 2026

Notes: figures in rounded brackets are the parameters of the variables while those under them without brackets are the t-statistic. *** asterics denote probability at 1% level of significance, ** means probability at 5% level of significance and * signifies probability at 10% level of significance.

DISCUSSION OF FINDINGS

The study's conclusions showed that executive directors' compensation had a big impact on Nigerian deposit money institutions' bottom lines. In particular, return on equity (ROE) and revenue growth (RG) were positively and significantly impacted by directors' fees, suggesting that fair remuneration strengthens managerial commitment, facilitates better decision-making, and improves financial results. On the other hand, short-term benefits had a favorable but statistically negligible impact on both performance metrics, indicating that they are less successful in promoting long-term organizational performance. The results corroborate the claims of Agency Theory, which contends that well-crafted executive remuneration improves company performance by bringing managers' objectives into line with shareholders. The outcomes are also in line with the empirical findings of Appah et al. (2020), who discovered that executive compensation has a positive impact on revenue growth, and Rehman et al. (2021) and Padia and Callaghan (2021), who reported a positive relationship between executive compensation and firm performance. Overall, the study finds that the financial performance of deposit money banks in Nigeria is significantly improved by executive directors' compensation, especially directors' fees.

CONCLUSION AND RECOMMENDATION

The study's summary, conclusions derived from the data, policy recommendations, knowledge additions, and ideas for further research are presented in this chapter.

Summary of the Study

This research looked at how executive directors' salaries affected Nigerian deposit money institutions' bottom lines. Five chapters comprised the framework of the research.

The study's background was given in Chapter One, which also highlighted the connection between executive compensation and bank performance. The issue description, study objectives, questions, hypotheses, scope, relevance, and operational definition of variables were also provided.

In Chapter Two, pertinent literature was evaluated, including theoretical underpinnings, conceptual problems, and empirical research. Additionally, it created a conceptual framework illustrating the link between the study variables and pointed out gaps in earlier studies.

The study's methodology was described in Chapter 3. The population and sample, sampling strategies, data sources, variable measurement, model formulation, and data analysis methodologies were all covered.

Descriptive statistics, correlation analysis, panel regression models, diagnostic tests, and hypothesis testing were used to display and evaluate the data in Chapter 4. The chapter also included a thorough analysis and discussion of the results.

Overall, the study established a methodical empirical analysis of executive directors' compensation and how it affects financial performance metrics in deposit money banks in Nigeria.

Conclusion

The study comes to the conclusion that the financial performance of Nigerian deposit money institutions is significantly impacted by the compensation of executive directors. This conclusion is supported by empirical data from 2016 to 2025 that used earnings per share, revenue growth, and return on equity as performance indicators. Directors' fees, short-term benefits, and defined contribution plans were used as stand-ins for executive compensation, with total assets acting as a control variable.

The results imply that appealing and well-designed executive remuneration packages enhance the banking industry's financial performance.

Recommendations

The following suggestions are offered in light of the findings:

i. It is advised that pay committees periodically examine compensation plans to make sure they stay competitive and motivating, hence improving management efficiency and shareholder value, as executive directors' emoluments have a major impact on return on equity.

ii. Banks should create appealing and performance-linked compensation plans that motivate directors to improve operational effectiveness and revenue generation, given the beneficial impact of executive compensation on revenue growth.

iii. Compensation frameworks should be carefully designed to reconcile shareholder interests with managerial incentive, guaranteeing sustainability and fairness in reward systems, as executive directors' emoluments have a substantial impact on earnings per share.

Contributions to Knowledge

This research adds to the body of literature in a number of ways:

i. By methodically reviewing and analyzing earlier research, it increases the empirical data on CEO salary and financial success.

ii. It closes the gap in the literature on executive directors' compensation and the performance of the banking industry that is located in Nigeria.

iii. Unlike earlier research that mostly focused on industrial companies, it makes a contribution by concentrating on deposit money institutions.

iv. By employing a variety of executive compensation proxies, such as directors' fees, short-term benefits, and defined contribution plans, it improves the literature by providing a more thorough assessment method than previous research.

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