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EFFECT OF EXECUTIVE COMPENSATION ON FINANCIAL PERFORMANCE OF LISTED CONGLOMERATE FIRMS IN NIGERIA

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ABSTRACT

This study examined the effect of executive compensation on the financial performance of listed conglomerate firms in Nigeria. Specifically, it assessed the effects of CEO emolument, executive directors' emolument, and total executive compensation on return on assets (ROA). The study adopted an *ex-post facto* research design, with a population of six listed conglomerate firms, all of which were included using a census sampling technique. Secondary data were obtained from the audited annual reports and financial statements of the firms covering the period 2015 to 2024. The hypotheses were tested using Panel Estimated Generalized Least Squares (PEGLS) regression analysis in order to address panel heteroskedasticity as well as cross-sectional dependence issues common in panel data. The findings revealed that: CEO emolument has a positive and significant effect on ROA (β = 0.169608, p = 0.0000) at 5% significance level; executive directors' emolument has a positive and significant effect on ROA (β = 2.996114, p = 0.0000) at 5% significance level; total executive compensation has a negative and significant effect on ROA (β = -2.965274, p = 0.0000) at 5% significance level. The study concluded that executive compensation design remains a central factor shaping how executives drive firm performance through asset optimization and managerial commitment. Hence, it was recommended that corporate governance regulators and audit committees should enforce clearer pay-performance disclosure requirements and set reasonable limits on aggregate executive compensation. Doing so will help reduce excessive compensation spending that does not contribute to

improved financial results, ensuring that overall remuneration levels remain sustainable and performance-driven.

KEYWORDS: Executive Compensation, Financial Performance, Conglomerate Firms.

1.0 INTRODUCTION

Executive compensation has become one of the most debated issues in corporate governance and financial management around the world. In recent decades, the structure and magnitude of pay received by top executives have attracted the attention of scholars, policymakers, investors, and the general public (Isiaka & Aruoren, 2025). This attention is largely due to the increasing concern over whether the high compensation packages of executives are justified by the financial performance of the firms they manage. In many economies, executive pay has grown rapidly, often outpacing the wages of ordinary employees and, in some cases, firm performance itself (Ozsoz, 2025). This widening gap has led to questions about fairness, efficiency, and the effectiveness of executive reward systems. In Nigeria, the issue is particularly significant because the country's corporate sector operates in an environment characterized by economic volatility, governance challenges, and regulatory evolution. Listed firms, in particular, face the dual pressure of maintaining shareholder confidence and complying with governance standards issued by the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX) (Shaba, 2024). As competition intensifies and investors demand accountability, understanding how executive compensation relates to corporate financial outcomes has become essential for firms seeking sustainable growth and credibility in the capital market.

Executive compensation and financial performance are crucial elements of organizational success in today's business environment. Ikwuo et al. (2025) argued that compensation represents one of the most powerful tools for motivating and retaining top managerial talent, especially in a competitive and globalized economy where firms depend heavily on the strategic decisions of their executives. The level and structure of executive pay are designed not only to reward past performance but also to influence future managerial behavior (Omoregie & Ige, 2025). Financial performance, on the other hand, reflects how effectively a firm utilizes its resources to generate profit, increase shareholder value, and ensure long-term stability (Aggreh et al., 2023). In an era where investors and stakeholders closely monitor corporate performance, aligning executive compensation with financial outcomes has become a key measure of good governance. For listed firms, this alignment serves as a signal of

transparency and accountability, reinforcing investor confidence. However, achieving the right balance between rewarding executives fairly and ensuring that compensation leads to improved performance remains a complex challenge. Excessive pay without corresponding results can signal weak governance, while inadequate compensation can lead to loss of competent executives to competitors (Ohidoa & Kolade, 2024). Therefore, a thoughtful compensation policy is indispensable in ensuring that executive rewards are both fair and performance-driven, particularly in developing economies like Nigeria where market dynamics and institutional frameworks differ significantly from those of advanced countries.

The relationship between executive compensation and financial performance has long been a subject of empirical investigation, with studies producing mixed results (Isiaka & Aruoren, 2025; Yahaya, 2025; Umoh, 2025; Omoregie & Ige, 2025; Ohidoa & Kolade, 2024). Some research findings suggest that higher executive compensation leads to better financial performance because well-paid executives are more motivated to work toward achieving corporate goals. From this perspective, compensation serves as an incentive mechanism that aligns the interests of managers with those of shareholders, consistent with the agency theory proposed by Jensen and Meckling (Yahaya, 2025). However, other studies have shown that excessive executive pay can have the opposite effect, leading to managerial opportunism, risk aversion, or overconfidence that ultimately harms the firm's profitability and market value. In Nigeria, where corporate governance structures are still developing, the impact of executive compensation on firm performance may differ from that observed in more mature economies. Factors such as ownership concentration, weak regulatory enforcement, and limited shareholder activism can influence how compensation packages are determined and how they affect managerial behavior.

Executive compensation is designed to reward performance, motivate efficiency, and align the interests of managers with those of shareholders (Isiaka & Aruoren, 2025). The structure of such compensation packages should reflect fairness, transparency, and a direct link between pay and measurable improvements in firm performance. Executives, particularly the Chief Executive Officer (CEO) and other top directors, are responsible for strategic decisions that determine profitability, competitiveness, and long-term growth. When compensation policies are properly structured, they serve as an incentive for executives to make decisions that enhance shareholder value and promote sustainable financial performance (Omoregie &

Ige, 2025). In this situation, firms achieve a balance where compensation serves as both a motivational tool and a mechanism for accountability.

However, the situation in many listed firms in Nigeria appears to deviate from this principle. There have been growing concerns that the remuneration of top executives does not always correspond to the financial outcomes of their companies. In several cases, executives receive substantial emoluments even when their firms record declining profits or operate at a loss (Nwite et al., 2024). Weak corporate governance practices, limited regulatory oversight, and the concentration of decision-making power in the hands of a few directors have contributed to this imbalance. As a result, executive pay structures in some firms tend to be influenced more by managerial discretion than by performance-based metrics. The disconnect between executive compensation and financial performance has raised questions about fairness, accountability, and the overall effectiveness of compensation policies within Nigeria's corporate sector (Mohammed et al., 2023).

The continued existence of this situation has several negative consequences for firms and the broader economy. When executives are rewarded regardless of firm performance, it discourages efficiency and weakens the drive for innovation and productivity. Shareholders may lose confidence in management, leading to reduced investment and declining market value. In the long run, such practices can damage corporate reputation and erode public trust in the financial market. Several studies, including those by Isiaka and Aruoren (2025), Yahaya (2025), Umoh (2025), Omoregie and Ige (2025), Ohidoa and Kolade (2024), Komolafe (2024), Zik-Rullahi (2024), Ahmad and Zik-Rullahi (2024), Nwite et al. (2024), and Mohammed et al. (2023), have examined executive compensation and firm performance in Nigeria, mainly in sectors like banking, manufacturing, and consumer goods, with little focus on conglomerates. Few employed the Panel Estimated Generalized Least Squares (PEGLS) method, and limited attention was given to return on assets (ROA). This study bridges these gaps using data from 2015–2024. Hence, the study examined the effect of executive compensation on the financial performance of listed conglomerate firms in Nigeria. The specific objectives are:

1. To determine the effect of CEO emolument on the return on assets of listed conglomerate firms in Nigeria.
2. To assess the effect of executive directors' emolument on the return on assets of listed conglomerate firms in Nigeria.

3. To evaluate the effect of total executive compensation on the return on assets of listed conglomerate firms in Nigeria.

2.0 Literature Review

2.1 Conceptual Review

2.1.1 Executive Compensation

Executive compensation refers to the total financial rewards and benefits provided to senior executives in an organization in exchange for their managerial services and leadership responsibilities (Mohammed et al., 2023). It encompasses various forms of monetary and non-monetary rewards that are designed to attract, motivate, and retain competent leaders capable of steering a company toward its strategic goals. In a corporate setting, executive compensation is considered one of the most important aspects of human resource management and corporate governance because it determines how effectively the interests of managers align with those of shareholders (Isiaka & Aruoren, 2025). The structure of these rewards often reflects the level of responsibility, the size of the firm, and the complexity of the business environment in which the company operates. Executive compensation typically includes salaries, bonuses, allowances, performance-based incentives, share options, pension benefits, and other perquisites such as official vehicles, accommodation, and insurance packages (Onyenaju et al., 2021). However, the amount and form of compensation vary widely among organizations depending on their financial capacity, industry standards, and governance practices.

Omoregie and Ige (2025) noted that the rationale behind executive compensation is to ensure that senior managers are adequately rewarded for their skills, decision-making capacity, and the risks associated with their roles. It serves as a motivation to improve firm performance and enhance shareholder value through efficient management and sound strategic decisions (Ohidoa & Kolade, 2024). In many cases, executive compensation is closely monitored by shareholders, regulatory bodies, and the public because of its potential impact on corporate ethics and financial sustainability. Excessive or unjustified pay can lead to public criticism, employee dissatisfaction, and regulatory scrutiny, while under-compensation can discourage talented executives from contributing their best efforts (Orjinta & Okoye, 2020). In developing economies like Nigeria, discussions around executive compensation are gaining prominence as firms seek to balance fair reward systems with accountability, transparency, and improved organizational performance.

2.1.2 CEO Emolument

CEO emolument refers to the total financial and non-financial rewards received by the Chief Executive Officer (CEO) of a company in return for performing the highest executive role within the organization (Yahaya, 2025). The CEO is responsible for formulating strategies, making critical business decisions, and ensuring the overall performance and sustainability of the firm. As the topmost executive, the CEO's emolument reflects both the magnitude of responsibility carried and the expected contribution to the company's success (Isiaka & Aruoren, 2025). It typically encompasses basic salary, performance bonuses, profit-sharing incentives, stock options, allowances, pension contributions, and other benefits approved by the board of directors. The CEO's pay is often seen as a measure of the company's governance quality and commitment to rewarding performance. Ideally, the emolument is structured in a way that links compensation to measurable outcomes such as profitability, market share growth, and shareholder value creation. In this arrangement, higher pay serves as an incentive for better performance and accountability (Zik-Rullahi, 2024).

In Nigeria, CEO emoluments in listed firms are disclosed in annual reports as part of corporate governance requirements. These disclosures are intended to promote transparency and allow investors to assess whether executive pay aligns with company performance. As competition increases and firms strive to attract capable leaders, the structure of CEO compensation has become a strategic tool for both motivation and retention (Yahaya, 2025). Nonetheless, the challenge remains ensuring that remuneration levels are fair, justifiable, and tied to actual contributions to firm success rather than influenced by managerial power or board leniency.

2.1.3 Executive Directors' Emolument

Executive directors' emolument refers to the total compensation package received by members of a company's board who are actively involved in the day-to-day management of the organization (Salawu et al., 2024). Unlike non-executive directors, who serve primarily in an advisory or supervisory capacity, executive directors hold managerial positions and directly influence operational and strategic decisions. Their emoluments usually include a fixed salary, bonuses tied to performance, allowances, pension contributions, stock options, and other benefits approved by the company's remuneration committee. The overall purpose is to reward their contributions to organizational growth and to encourage effective leadership and accountability (Omebere & Frank, 2022). The compensation of executive directors is

often designed to reflect their level of responsibility, experience, and the complexity of the roles they perform. It is also influenced by the firm's financial position, industry practices, and regulatory guidelines. In many corporate settings, executive directors' pay is structured to balance fixed and variable components to ensure that remuneration motivates better performance without encouraging excessive risk-taking. This structure is important in promoting efficiency and aligning the interests of management with those of shareholders (Okpo et al., 2023).

In Nigeria, the disclosure of executive directors' emoluments is a requirement under corporate governance regulations, promoting transparency and investor confidence. The amount paid to executive directors varies across firms and sectors, depending on company size and profitability (Muslu, 2010). However, controversies sometimes arise when these payments appear disproportionate to company results, raising questions about governance and fairness. For listed firms, determining appropriate levels of emoluments remains a sensitive issue that requires careful consideration of firm performance, shareholder interests, and prevailing economic conditions to avoid practices that may harm the company's reputation or financial stability.

2.1.4 Financial Performance

Financial performance refers to the degree to which a company effectively utilizes its resources to generate profit, sustain growth, and create value for its shareholders (Nworie & Ofoje, 2022). It reflects the overall financial health and operational efficiency of an organization over a given period. Financial performance is one of the key indicators used by investors, managers, and regulators to assess whether a firm is achieving its strategic and operational goals (Mohammed et al., 2023). It provides evidence of how well management decisions translate into profitability, liquidity, solvency, and long-term sustainability. Several measures are commonly used to evaluate financial performance, including profitability ratios, return on assets (ROA), return on equity (ROE), earnings per share (EPS), and net profit margin. These indicators help determine whether a company's management is making sound decisions that contribute to value creation. Good financial performance indicates that a company is efficiently converting its inputs into profits and maintaining a strong position in the market, while poor financial performance suggests inefficiencies, weak management, or unfavorable economic conditions (Aggreh et al., 2023). The analysis of financial performance

also assists in identifying trends, comparing firms within the same industry, and guiding decisions regarding investments and strategic direction.

In Nigeria's corporate environment, financial performance serves as a major determinant of investor confidence and firm valuation. Listed companies are required to disclose performance metrics in their annual reports to promote transparency and accountability. A firm's ability to maintain steady financial performance over time not only affects its market reputation but also influences its access to capital and long-term growth opportunities (Ohidoa & Kolade, 2024). For managers and directors, improving financial performance remains a central objective, as it demonstrates efficiency, attracts investment, and ensures sustainability in a competitive business landscape.

2.1.5 Return on Assets (ROA)

Return on assets (ROA) is a financial ratio that measures how efficiently a company uses its total assets to generate profit (Nworie & Mba, 2022). It expresses the relationship between a firm's net income and its total assets, showing how effectively management converts resources into earnings. ROA is widely regarded as a key indicator of profitability because it reveals how much profit is earned from every unit of asset invested in the business (Isiaka & Aruoren, 2025). A higher ROA signifies better utilization of assets, while a lower ROA may suggest inefficiency or underutilization of resources. ROA is calculated by dividing net income by total assets, and the result is usually expressed as a percentage. It provides investors, managers, and analysts with a clear picture of how well a firm's management is employing the company's assets to achieve profitability (Nworie & Mba, 2022). Since assets represent the total investments made by the company, including property, equipment, and working capital, this ratio highlights the effectiveness of operational strategies and financial decision-making. ROA is particularly useful for comparing firms within the same industry, as it shows which companies are better at turning resources into profits.

2.2 Theoretical Framework and Development of Research Hypotheses

Agency Theory was first developed by Michael C. Jensen and William H. Meckling in 1976 as part of their work on the relationship between principals and agents in corporate organizations (Gwala & Mashau, 2023). The theory emerged from the field of economics and finance as a way to explain how ownership and control separation in modern corporations can create conflicts of interest between shareholders and managers. Jensen and Meckling observed that when the individuals who own a company (the shareholders) are not the same

as those who manage it (the executives), problems may arise because the managers may pursue personal goals rather than those that maximize shareholder wealth. Since its introduction, Agency Theory has become one of the most widely applied frameworks in corporate governance, executive compensation, and organizational management research.

The central idea of Agency Theory is that managers (agents) are employed to act on behalf of shareholders (principals), but their personal interests may not always align with those of the owners (Bratton, 2012). This misalignment creates what is known as an agency problem, which can lead to inefficiencies and reduced firm performance. The theory proposes that mechanisms such as performance-based compensation, monitoring systems, and effective governance structures can reduce these conflicts (Awuhe & Orshi, 2025). It assumes that managers are rational individuals motivated by personal gain and that appropriate incentives can influence their behavior toward achieving the company's goals. Linking executive rewards to measurable performance indicators, such as profitability or return on assets, is one of the key ways to align the interests of agents with those of principals.

Agency Theory is particularly relevant to this study on the effect of executive compensation on the financial performance of listed firms in Nigeria. It provides a useful explanation of how compensation structures can serve as a control mechanism to ensure that executives act in the best interest of shareholders. By tying CEO and executive directors' emoluments to financial performance indicators such as return on assets, firms can motivate managers to make decisions that improve profitability and long-term value. In the Nigerian context, where governance challenges and weak monitoring often exist, Agency Theory helps to explain how poorly designed compensation systems can encourage opportunistic behavior among executives, while well-structured pay systems can strengthen accountability and enhance financial performance (Omoregie & Ige, 2025). Thus, the study is guided by the following null hypotheses:

H_{01}: CEO emolument has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

H_{02}: Executive directors' emolument has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

H_{03}: Total executive compensation has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

2.3 Empirical Review

Isiaka and Aruoren (2025) analyzed how executive compensation affects company performance in Nigeria. Their research focused on fifteen firms across healthcare, natural resources, and construction/real estate industries between 2013 and 2022. Using an ex-post facto design, they relied on secondary data on CEO pay and return on assets obtained from audited annual reports. To manage problems of endogeneity, unobserved heterogeneity, and serial correlation in panel data, the study applied the generalized method of moments. The results showed that executive compensation had a significant negative impact on the performance of firms in the selected sectors.

Yahaya (2025) explored how CEO remuneration relates to firm performance, particularly addressing the issue of pay-performance alignment and agency conflicts. The research aimed to determine whether CEO pay promotes shareholder value through improved performance, measured by return on assets. A panel dataset of 147 listed firms over ten years was analyzed using a random effects model to correct for unobserved heterogeneity. CEO compensation was divided into fixed and variable components to identify their separate effects. Findings revealed that variable pay had a positive and significant impact on performance, while fixed pay did not. The study also indicated that beyond a certain level, higher pay does not improve firm outcomes, suggesting diminishing returns on excessive compensation.

Umoh (2025) investigated how compensation packages influence operational performance among consumer goods firms. The study focused on directors' pay, employee salaries, and benefit schemes in relation to return on assets, using data from Nestlé Nigeria's financial reports between 2014 and 2023. Employing an ex-post facto design, the analysis used descriptive statistics, trend analysis, SWOT analysis, and multiple regression techniques with E-Views software. The results revealed that compensation elements showed mixed outcomes but were largely insignificant in explaining changes in return on assets. The study recommended that firms create balanced compensation structures that connect pay to company goals, thereby improving both employee motivation and financial results.

Omoregie and Ige (2025) examined how managerial power influences the relationship between executive pay and company performance in Nigerian manufacturing firms from 2010 to 2018. The study found that executive compensation and firm performance were inversely related, while company size showed a positive association with compensation. The analysis further indicated that when board size and non-executive director presence were

considered, the link between compensation and performance became stronger. However, no evidence supported the moderating effect of managerial power on return on equity. Consistent with managerial power theory, the study suggested that information gaps allow powerful executives to influence their pay irrespective of actual performance, contradicting agency theory assumptions.

Ohidoa and Kolade (2024) studied the connection between executive compensation and corporate financial performance in Nigeria using data from listed firms between 2014 and 2022. Regression results showed a positive association between executive pay and firm performance when measured by return on equity and return on assets, but a negative relationship with Tobin's Q. Firm size had a positive effect on performance across measures, while board independence was negatively related to return on assets and equity but positively associated with Tobin's Q. Leverage was negatively related to performance. The study emphasized that executive pay remains crucial for firm success, as it significantly influences financial outcomes.

Komolafe (2024) assessed how executive compensation affects the financial performance of quoted commercial banks in Nigeria. Using an ex-post facto design and secondary data from thirteen listed banks between 2013 and 2022, the study applied panel regression analysis via E-Views. Return on equity and earnings per share were modeled as functions of executive salaries, bonuses, and equity holdings. The findings indicated that executive salary positively and significantly affected return on equity, while equity holdings had a positive but insignificant effect, and bonuses had a negative and insignificant effect. The study recommended that pay structures should be performance-driven to motivate executives toward achieving superior financial outcomes.

Zik-Rullahi (2024) explored the relationship between CEO compensation and financial performance of Nigerian banks from 2008 to 2022. Using a correlational research design and secondary data from annual reports, the study applied feasible generalized least squares regression to correct heteroskedasticity. Anchored on pay-performance theory, the analysis used net interest margin and Tobin's Q as performance indicators. Results showed that CEO pay had a negative and significant relationship with bank performance, while chairman compensation was not significantly related. The study suggested that regulating CEO pay is important to improve the financial stability of Nigerian banks.

Ahmad and Zik-Rullahi (2024) analyzed how the remuneration of the highest-paid director relates to bank performance in Nigeria between 2008 and 2022. Using correlational design and secondary data from listed banks, the study employed feasible generalized least squares regression to address data inconsistencies. Based on pay-performance theory, the analysis focused on net interest margin and Tobin's Q. Results indicated that the highest-paid director's compensation negatively and significantly affected performance, while total compensation showed a positive link. The researchers recommended stronger controls over executive compensation to improve banking sector performance.

Nwite et al. (2024) investigated how executive incentives and information asymmetry influence profitability in quoted manufacturing firms in Nigeria. The study used net profit margin as a measure of profitability, while executive bonuses, stock-based payments, bid-ask spread, cash flow, and dividend policy served as independent variables. Data were collected from twelve firms out of sixty-nine listed between 2012 and 2022, and analyzed using panel least squares regression. The results indicated that executive incentives and information asymmetry variables had significant positive effects on profitability, except for dividend policy, which showed a positive but insignificant impact.

Mohammed et al. (2023) examined the impact of executive pay on the financial performance of listed non-financial firms in Nigeria. Using a correlational research design and data from sixty-three firms, the study employed the generalized method of moments for analysis. Findings revealed that executive salaries, bonuses, and stock-based pay negatively affected return on equity, while pension contributions had a positive impact. The study recommended reviewing compensation structures to ensure that pay policies drive better firm performance across the non-financial sector.

2.4 Gap in Literature

While numerous studies such as those by Isiaka and Aruoren (2025), Yahaya (2025), Umoh (2025), Omoregie and Ige (2025), Ohidoa and Kolade (2024), Komolafe (2024), Zik-Rullahi (2024), Ahmad and Zik-Rullahi (2024), Nwite et al. (2024), and Mohammed et al. (2023) have extensively examined the relationship between executive compensation and firm performance in Nigeria, most of these studies have focused on sectors such as banking, manufacturing, consumer goods, and real estate, with limited attention given to conglomerate firms. Furthermore, while previous studies have utilized diverse estimation techniques such as generalized method of moments (GMM), random effects models, and panel least squares,

few have employed the Panel Estimated Generalized Least Squares (PEGLS) approach, which effectively addresses issues of autocorrelation and heteroskedasticity often present in panel datasets. Additionally, many of the existing studies have analyzed firm performance using indicators such as return on equity (ROE), earnings per share (EPS), and Tobin's Q, leaving a research gap in understanding how executive compensation affects return on assets (ROA), a more internal measure of financial efficiency. The inconsistencies in findings—ranging from positive (Ohidoa & Kolade, 2024; Komolafe, 2024) to negative or insignificant relationships (Isiaka & Aruoren, 2025; Mohammed et al., 2023)—further highlight the need for a sector-specific analysis. Hence, this study fills a notable gap by focusing exclusively on listed conglomerate firms in Nigeria from 2015 to 2024, employing the PEGLS technique to provide robust empirical evidence on how CEO emolument, executive directors' emolument, and total executive compensation jointly and individually influence financial performance measured by ROA.

3.0 Methodology

This study adopted an *ex-post facto* research design to examine the effect of executive compensation on the financial performance of listed conglomerate firms in Nigeria. The ex-post facto design is appropriate because it focuses on analyzing already existing data from past financial statements without manipulating any variables (John-Akamelu et al., 2025; Amedu et al., 2025; Anaike et al., 2025). This design allows for the identification of relationships and causal effects between executive compensation components and firm performance based on historical records.

The population of this study consisted of all conglomerate firms listed on the Nigerian Exchange Group (NGX) as of December 31, 2024. These firms operate across diverse business sectors and are required to publish audited annual reports that contain detailed information on executive compensation and financial performance. As of the stated period, six conglomerate firms constitute the population of the study:

1. Chellarams Plc
2. John Holt Plc
3. SCOA Nigeria Plc
4. Transnational Corporation of Nigeria (Transcorp) Plc
5. UAC of Nigeria (UACN) Plc
6. Custodian Investment Plc

Given the small size of the population, the study employed a census sampling technique, meaning all six listed conglomerate firms are included in the analysis. This approach ensures comprehensive coverage and improves the reliability and generalizability of the study findings within the conglomerate sector. The study relied entirely on secondary data extracted from the published annual reports and audited financial statements of the selected conglomerate firms. The data cover a ten-year period, from 2015 to 2024. Information on executive compensation, including CEO emolument, executive directors' emolument, and total executive compensation, was obtained from the notes to the financial statements. Data on firm financial performance were gathered using return on assets (ROA) as a profitability measure. The data collected were verified for consistency and completeness before analysis.

Table 3.1 Operational Measurement of Variables.

Variable	**Type of Variable**	**Measurement / Proxy**	**Source**
CEO Emolument	Independent	Total remuneration paid to the Chief Executive Officer in a given year	(Zik-Rullahi, 2024)
Executive Directors' Emolument	Independent	Total remuneration paid to all executive directors excluding the CEO	(Ohidoa & Kolade, 2024)
Total Executive Compensation	Independent	Combined total emoluments paid to the CEO and all executive directors	(Ohidoa & Kolade, 2024)
Return on Assets (ROA)	Dependent	Net Profit / Total Assets	(Nworie & Mba, 2022)

Source: Researcher's Compilation (2025)

The variables were measured using data directly reported in the firms' audited accounts. ROA was chosen as the indicator of financial performance because it reflects how efficiently management uses assets to generate earnings.

This study adapted the model by Isiaka and Aruoren (2025) who formulated the model below:

$ROAit = \alpha 0 + \beta 1CEOPAYit + \varepsilon it$ _____eqi

Where:

ROA is return on asset

CEOPAY is chief executive officer pay

BOWNS is board ownership structure; BGD is board

α is regression constant;

ε is error term;

i is individual companies;

t is time dimension

To examine the effect of executive compensation on the financial performance of listed conglomerate firms in Nigeria, the econometric model above was modified as follows:

ROA = f(CEOEM, EXDEM, TOTEM) …… (ii)

$ROAit = \alpha_0 + \beta_1 CEOEMit + \beta_2 EXDEM\ it + \beta_3 TOTEMit + \mu it$ …… (iii)

Where:

ROA = Return on Assets (proxy for financial performance)

CEOEM = CEO Emolument

EXDEM = Executive Directors' Emolument

TOTEM = Total Executive Compensation (CEO and Executive Directors)

α_0 = Constant term

β_1–β_3 = Coefficients of independent variables

μ = Error term

i = Firm

t = Time period

Data analysis was carried out using both descriptive and inferential statistical techniques. Descriptive statistics such as mean, standard deviation, minimum, and maximum values were employed to summarize and describe the characteristics of the data. For hypothesis testing, the Panel Estimated Generalized Least Squares (PEGLS) regression technique was used to evaluate the effect of the independent variables on the dependent variable. The choice of PEGLS is justified because it accounts for heteroskedasticity and cross-sectional dependence often present in panel data, thereby producing efficient and unbiased estimates. The regression analysis was conducted at a 5% level of significance to determine whether the relationships observed were statistically meaningful.

The null hypotheses were tested at a 5% level of significance. If the p-value obtained from the regression results is less than 0.05, the null hypothesis is rejected, indicating that the independent variable has a statistically significant effect on the return on assets of listed

conglomerate firms in Nigeria. Conversely, if the p-value is equal to or greater than 0.05, the null hypothesis is accepted, suggesting that the variable has no significant effect on firm performance.

4.0 Data Analysis

4.1 Descriptive Analysis

Table 4.1 Descriptive Statistics

	ROA	CEO Emoluments (₦'000)	Executive Directors_ Emolument (₦'000)	Total Executive Compensation (₦'000)
Mean	0.355973	16419.30	154574.0	170993.3
Median	0.423789	7426.000	31931.00	36062.00
Maximum	0.933044	66378.00	1001395.	1021895.
Minimum	-1.231131	0.000000	0.000000	0.000000
Std. Dev.	0.459422	19558.00	207531.9	219109.0
Skewness	-0.807416	1.475998	2.182171	1.947433
Kurtosis	3.841778	4.162483	8.850681	7.611869
Jarque-Bera	8.290683	25.16412	133.1949	91.09830
Probability	0.015838	0.000003	0.000000	0.000000
Sum	21.35837	985158.0	9274441.	10259599
Sum Sq. Dev.	12.45305	2.26E+10	2.54E+12	2.83E+12
Observations	60	60	60	60

Source: Researcher's Compilation (2025)

Table 4.1 presents the descriptive statistics for Return on Assets (ROA) of listed conglomerate firms in Nigeria. The mean value of 0.355973 indicates that, on average, the firms generated about 35.6% return on their total assets during the study period. The maximum value of 0.933044 shows that some firms recorded a relatively high level of profitability, while the minimum value of -1.231131 reveals that others experienced losses in certain years. The standard deviation of 0.459422 suggests moderate variability in firms' financial performance. The skewness value of -0.807416 indicates a negatively skewed distribution, meaning more observations fall above the mean, while the kurtosis value of 3.841778 suggests a slightly leptokurtic distribution, implying a somewhat peaked shape

compared to the normal curve. The Jarque-Bera probability of 0.015838, which is less than 0.05, indicates that ROA is not perfectly normally distributed; however, according to the central limit theorem, the sample size of 60 is sufficiently large to assume approximate normality, especially after the data were transformed into natural logarithms for inferential analysis.

In Table 4.1, the descriptive statistics for CEO emoluments show a mean of ₦16,419,300, indicating the average annual pay received by chief executive officers of listed conglomerate firms. The maximum value of ₦66,378,000 demonstrates that some CEOs earned substantially higher compensation packages, while the minimum value of ₦0 reflects that some firms did not disclose or pay any emoluments during certain periods. The standard deviation of ₦19,558,000 reveals a high level of dispersion, suggesting significant differences in CEO pay across firms. The skewness value of 1.475998 shows a positively skewed distribution, meaning a few firms paid very high emoluments compared to most others. The kurtosis value of 4.162483 indicates a leptokurtic distribution with heavier tails than a normal curve, implying that extreme values are present. The Jarque-Bera probability of 0.000003 confirms that the data are not normally distributed; however, based on the central limit theorem and subsequent logarithmic transformation, the variable is suitable for regression analysis.

Table 4.1 also reveals that executive directors' emolument has a mean value of ₦154,574,000, showing the average compensation level for executive directors across the studied firms. The maximum value of ₦1,001,395,000 indicates that some directors received very high remuneration, while the minimum value of ₦0 shows instances where no payments were made or disclosed. The standard deviation of ₦207,531,900 suggests wide variability in compensation levels among firms. The skewness value of 2.182171 signifies a strong positive skew, meaning that a small number of firms offered exceptionally high emoluments compared to others. The kurtosis value of 8.850681 suggests that the distribution is highly leptokurtic, indicating the presence of extreme outliers. The Jarque-Bera probability of 0.000000 indicates non-normality; nonetheless, the use of natural logarithmic transformation corrects this deviation, allowing valid inferential testing in line with the central limit theorem. Finally, Table 4.1 shows that the total executive compensation, which combines CEO and executive directors' pay, has a mean of ₦170,993,300. This value represents the average total remuneration for top executives in the selected firms. The maximum value of

₦1,021,895,000 indicates that some firms allocated substantial amounts to executive compensation, while the minimum of ₦0 again reflects either non-disclosure or unpaid years. The standard deviation of ₦219,109,000 reveals a high degree of dispersion, showing significant variation in executive pay across firms and periods. The skewness value of 1.947433 indicates a positive skew, where a few firms paid much higher than the majority. The kurtosis value of 7.611869 suggests a leptokurtic distribution, implying concentration around the mean with a few extreme values. The Jarque-Bera probability of 0.000000 confirms deviation from normality, but due to the sample size and the transformation of data into natural logarithms, the assumption of approximate normality for inferential analysis remains valid.

Table 4.2 Correlational Analysis

Correlational Analysis: Ordinary				
Date: 10/24/25 Time: 03:05				
Sample: 2015 2024				
Included observations: 60				
Correlation				
Probability	ROA	CEOEM	EXDEM	TOTEM
ROA	1.000000			

CEOEM	0.553703	1.000000		
	0.0000	-----		
EXDEM	0.730415	0.712866	1.000000	
	0.0000	0.0000	-----	
TOTEM	0.698085	0.754934	0.994795	1.000000
	0.0000	0.0000	0.0000	-----

Source: Researcher's Compilation (2025)

Table 4.2 presents the correlational analysis showing the relationship between executive compensation variables and return on assets (ROA) of listed conglomerate firms in Nigeria. The correlation coefficient between CEO emoluments and ROA is 0.553703, with a probability value of 0.0000, indicating a moderate and statistically significant positive relationship. This suggests that increases in CEO pay tend to be associated with improvements in firm performance. The correlation between executive directors' emolument and ROA is 0.730415, also significant at the 1% level, showing a strong positive relationship, meaning higher compensation for executive directors corresponds to higher financial performance. Similarly, total executive compensation has a positive and significant correlation with ROA at 0.698085, implying that overall executive pay contributes positively to firm profitability. Since all the probability values are below 0.05, these relationships are statistically significant, suggesting that executive compensation, whether measured individually or collectively, is positively associated with financial performance among the studied firms.

Table 4.3 Panel Heteroskedasticity Test

Panel Cross-section Heteroskedasticity LR Test			
Null hypothesis: Residuals are homoskedastic			
Equation: UNTITLED			
Specification: ROA CEOEM EXDEM TOTEM C			
	Value	df	Probability
Likelihood ratio	43.59540	6	0.0000

Source: Researcher's Compilation (2025)

Table 4.3 presents the results of the Panel Heteroskedasticity Likelihood Ratio (LR) Test conducted to check whether the residuals of the model are homoskedastic. The test produced a likelihood ratio value of 43.59540 with 6 degrees of freedom and a probability value of 0.0000. Since the p-value is less than 0.05, the null hypothesis of homoskedasticity is rejected, indicating the presence of heteroskedasticity across the cross-sectional units in the dataset. This means that the variance of the error terms is not constant across firms, a condition that could bias ordinary least squares (OLS) estimates. To address this problem and ensure efficient and reliable results, the Panel Estimated Generalized Least Squares (Panel EGLS) technique with cross-section weights was employed for hypothesis testing, as it

appropriately corrects for heteroskedasticity and improves the robustness of the regression estimates.

4.2 Test of Hypotheses

H_{01}: CEO emolument has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

H_{02}: Executive directors' emolument has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

H_{03}: Total executive compensation has no significant effect on the return on assets of listed conglomerate firms in Nigeria.

Table 4.4 Test of Hypotheses

Dependent Variable: ROA				
Method: Panel EGLS (Cross-section weights)				
Date: 10/24/25 Time: 03:05				
Sample: 2015 2024				
Periods included: 10				
Cross-sections included: 6				
Total panel (balanced) observations: 60				
Linear estimation after one-step weighting matrix				
Cross-section weights (PCSE) standard errors & covariance (d.f. corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CEOEM	0.169608	0.024135	7.027400	0.0000
EXDEM	2.996114	0.413564	7.244617	0.0000
TOTEM	-2.965274	0.446516	-6.640917	0.0000
C	-0.082343	0.183548	-0.448619	0.6554
	Weighted Statistics			
R-squared	0.828013	Mean dependent var		0.573893
Adjusted R-squared	0.818799	S.D. dependent var		0.668168
S.E. of regression	0.244149	Sum squared resid		3.338081
F-statistic	89.86844	Durbin-Watson stat		0.910933
Prob(F-statistic)	0.000000			

Source: Researcher's Compilation (2025)

Table 4.4 presents the results of the Panel Estimated Generalized Least Squares (EGLS) analysis, which examined the effect of executive compensation variables—CEO emolument, executive directors' emolument, and total executive compensation—on the return on assets (ROA) of listed conglomerate firms in Nigeria between 2015 and 2024. The adjusted R-squared value of 0.818799 shows that approximately 81.88% of the variations in firms' return on assets are jointly explained by the included explanatory variables (CEO emolument, executive directors' emolument, and total executive compensation). This indicates a strong explanatory power of the model and suggests that these variables play an important role in explaining differences in financial performance among conglomerate firms. Furthermore, the Prob(F-statistic) = 0.000000 indicates that the overall model is statistically significant at the 5% level. This means that at least one of the independent variables significantly affects return on assets, confirming the validity and reliability of the model for inferential purposes.

The constant term (C) has a coefficient of -0.082343 with a p-value of 0.6554, which is greater than 0.05, indicating that it is statistically insignificant at the 5% level. This suggests that when CEO emolument, executive directors' emolument, and total executive compensation are held constant, the expected mean return on assets of the listed conglomerate firms would decrease slightly by about 0.082 units, though this effect is not statistically different from zero. In essence, the base level of return on assets is not significantly explained by factors outside the compensation variables included in the model.

For Hypothesis One (H_{01}), the coefficient of CEO emolument (CEOEM) is 0.169608 with a probability value of 0.0000, which is significant at the 5% level. This means that a one-unit increase in CEO emolument (in natural log form) leads to a 0.17-unit increase in return on assets, holding other factors constant. The result indicates that CEO emolument exerts a positive and significant effect on ROA. Therefore, the null hypothesis that CEO emolument has no significant effect on ROA is rejected. This implies that higher CEO pay is associated with improved financial efficiency among listed conglomerate firms in Nigeria.

For Hypothesis Two (H_{02}), the coefficient of executive directors' emolument (EXDEM) is 2.996114 with a p-value of 0.0000, which is also significant at the 5% level. This indicates that a one-unit increase in executive directors' emolument (log-transformed) results in an approximately 2.99-unit increase in return on assets, assuming all other variables remain

constant. The marginal effect is strong and positive, suggesting that compensating executive directors adequately has a substantial influence on improving financial performance. Thus, the null hypothesis that executive directors' emolument has no significant effect on ROA is rejected. This result supports the notion that executive directors' pay can motivate better decision-making and operational performance.

For Hypothesis Three (H_{03}), total executive compensation (TOTEM) has a coefficient of -2.965274 and a p-value of 0.0000, which indicates statistical significance at the 5% level. This means that a one-unit increase in total executive compensation leads to a 2.97-unit decrease in return on assets, all else being equal. The marginal effect is negative and significant, showing that as the combined pay of all top executives increases, the firm's financial efficiency declines. Therefore, the null hypothesis that total executive compensation has no significant effect on ROA is also rejected.

4.3 Discussion of Findings

The finding that CEO emolument exerts a positive and significant effect on return on assets suggests that rewarding chief executive officers appropriately enhances their drive to improve the financial outcomes of listed conglomerate firms. This outcome aligns with the assumption of agency theory, which argues that adequate compensation motivates managers to act in the best interests of shareholders. Similar results were reported by Yahaya (2025), who found that variable CEO pay, when linked to firm performance, strengthens alignment between executive actions and shareholder value creation. The study by Ohidoa and Kolade (2024) also supports this result, as they observed a positive relationship between executive pay and firm performance measured by both return on assets and return on equity. Likewise, Komolafe (2024) confirmed that executive salaries positively and significantly influence return on equity, emphasizing the performance-driven role of CEO remuneration. However, contrary findings were noted in studies such as Isiaka and Aruoren (2025) and Zik-Rullahi (2024), where executive pay negatively affected performance, possibly due to pay structures that were not directly tied to firm outcomes. The consistency of this study's result with the more recent performance-linked evidence suggests that when CEO remuneration reflects accountability and measurable output, firm efficiency and profitability improve significantly.

The result showing that executive directors' emolument has a positive and significant effect on return on assets indicates that compensating executive directors in proportion to their responsibilities contributes meaningfully to improved asset utilization and operational

success. This finding is consistent with the works of Ohidoa and Kolade (2024), who reported that higher executive pay corresponded with stronger financial performance among Nigerian firms. Similarly, Komolafe (2024) found that executive salaries significantly enhanced return on equity, implying that well-compensated directors are more likely to commit to strategies that strengthen financial efficiency. Nwite et al. (2024) also confirmed that executive incentives such as bonuses and stock-based payments have significant positive effects on profitability, supporting the idea that performance-based pay enhances motivation and output. Conversely, Umoh (2025) found that directors' remuneration produced an insignificant effect on return on assets, suggesting that compensation systems in some sectors may lack alignment with productivity goals. Nonetheless, the finding of this study reinforces the view that fair and structured pay for executive directors helps firms to retain competent leaders capable of driving superior performance outcomes.

The result that total executive compensation has a negative and significant effect on return on assets implies that when aggregate executive pay becomes excessive, it may impose a financial burden on the firm, reducing profitability and efficiency. This observation agrees with the studies of Isiaka and Aruoren (2025) and Mohammed et al. (2023), both of whom reported that overall executive pay negatively affected firm performance in Nigeria, suggesting that beyond a certain threshold, compensation ceases to motivate and begins to diminish returns. Similarly, Omoregie and Ige (2025) found an inverse relationship between compensation and performance, attributing it to managerial power that allows executives to influence pay decisions independent of actual results. However, this study's finding contrasts with Ahmad and Zik-Rullahi (2024), who observed a positive link between total compensation and performance in Nigerian banks, indicating that sectoral differences may shape compensation effectiveness. Yahaya (2025) also noted that while variable pay positively affects performance, excessive or poorly structured pay results in diminishing benefits. The finding here highlights the financial strain that overly generous executive compensation packages can create, suggesting that while rewarding executives is necessary, unchecked increases in total remuneration can undermine firm efficiency and weaken the profitability of conglomerate firms in Nigeria.

5.0 CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION

The findings from the study provide important understanding of how different aspects of executive compensation influence the financial performance of listed conglomerate firms in Nigeria. The results indicate that the way executives are compensated can either enhance or weaken a firm's ability to generate profit from its assets, depending on how pay components are structured. The positive relationship between certain compensation elements and return on assets suggests that well-aligned pay structures may motivate executives to make efficient and growth-oriented decisions that improve resource utilization and profitability. However, the negative effect of total executive compensation points to a possible threshold where increasing overall pay no longer contributes to financial performance but may instead reflect inefficiencies in remuneration practices or excessive administrative costs. This pattern highlights how conglomerate firms differ from other sectors, as their complex operations and diverse business portfolios may amplify both the benefits and drawbacks of executive pay structures. The findings also reflect the presence of performance sensitivity in individual compensation components, showing that targeted incentives such as CEO and executive director remuneration can have motivating effects when they are closely tied to measurable outcomes. Conversely, the combined compensation package may embody redundancies or pay elements unrelated to performance, resulting in a diminishing return effect on profitability. These results, therefore, deepen the understanding of how pay-performance alignment functions within the unique environment of Nigerian conglomerate firms, where managerial efficiency, ownership concentration, and corporate governance mechanisms play critical roles in determining how compensation policies translate into operational success. In all, the evidence demonstrates that compensation design remains a central factor shaping how executives drive firm performance through asset optimization and managerial commitment.

5.2 RECOMMENDATIONS

1. Based on the finding that CEO emolument has a positive and significant effect on return on assets, it is recommended that the boards of listed conglomerate firms maintain a structured and performance-based remuneration system for their chief executive officers. This approach will ensure that CEO pay continues to encourage effective decision-making and operational efficiency, reinforcing accountability and long-term value creation for shareholders.

2. Given that executive directors' emolument also has a positive and significant effect on return on assets, remuneration committees should design compensation packages for

executive directors that directly reflect measurable firm outcomes such as profitability, asset turnover, and operational efficiency. This will help sustain the motivational benefits of compensation and align the interests of directors with those of the firms and their investors.

3. Since total executive compensation has a negative and significant effect on return on assets, corporate governance regulators and audit committees should enforce clearer pay-performance disclosure requirements and set reasonable limits on aggregate executive compensation. Doing so will help reduce excessive compensation spending that does not contribute to improved financial results, ensuring that overall remuneration levels remain sustainable and performance-driven.

5.3 Contribution to Knowledge

This study makes a valuable contribution to literature by addressing the gaps identified in previous research on executive compensation and firm performance in Nigeria. Unlike earlier works by Isiaka and Aruoren (2025), Yahaya (2025), Umoh (2025), Omoregie and Ige (2025), Ohidoa and Kolade (2024), Komolafe (2024), Zik-Rullahi (2024), Ahmad and Zik-Rullahi (2024), Nwite et al. (2024), and Mohammed et al. (2023), which largely focused on the banking, manufacturing, and consumer goods sectors, this study extends the discussion to listed conglomerate firms. It applies the Panel Estimated Generalized Least Squares (PEGLS) technique, which effectively corrects issues of autocorrelation and heteroskedasticity common in panel data analysis. By examining return on assets (ROA) as the measure of financial performance, this research provides a clearer understanding of how CEO emolument, executive directors' emolument, and total executive compensation influence firm efficiency and profitability. The study therefore enriches existing knowledge by offering sector-specific evidence and methodological advancement that strengthens the empirical understanding of pay-performance relationships among conglomerate firms in Nigeria.

5.4 Suggestion for Further Studies

Future studies should include more sectors to allow broader comparisons and use additional performance indicators such as return on equity or earnings per share. Researchers could also consider other factors like corporate governance practices, ownership structure, and economic conditions that may influence the relationship between executive compensation and financial performance. Using both qualitative and quantitative methods could provide a deeper understanding of how executive pay policies affect firm outcomes.

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