

THE PERCEIVED RELATIONSHIP BETWEEN EXECUTIVE COMPENSATION PACKAGE AND PROFITABILITY OF LISTED COMPANIES IN NIGERIA

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ABSTRACT

The impact of executive compensation on firms' profitability was empirically examined in this study for the listed companies in Nigeria using a period of ten years ranging from 2004 to 2013. Specifically, the study investigated the impact of directors' cash incentives, non-cash incentives and bonus issue of share on earnings per share of the selected companies. The study relied on the secondary data extracted from the audited financial statement of a sample of 70 companies purposefully selected from the 198 listed companies in Nigeria. Both descriptive and inferential statistics were carried out. The results revealed that a significant positive relationship exists between the directors' cash incentives, bonus issue of share and earnings per share. The relationship between non cash incentive and earnings per share was insignificant. It can therefore be recommended to the management that weight should be assigned to the variables in that order. The policy makers also need to provide adequate regulation on the determination of remuneration of the directors of listed companies in Nigeria.

Keywords: Earnings per Share, Executive Compensation Package, Cash Incentive, Non-Cash Incentive.

INTRODUCTION AND MOTIVATION

James and Laundens (2014) noted that most organizations whether they are public or private, big or small, profitable or non-profitable are looking forward to attract the best employees and management to manage the affairs of the firm. This was perceived as one of the major way to promote the image of a business organization (Sandra, 2008). However, the major challenge facing this approach has been the ability of the companies to do it in a profitable manner (Saheed, 2015). What are the characteristics of 'good' executive package? Does executive package matter for firm profitability? Have firms with higher executive package been found to be more profitable? Should executive compensation package be tied to performance to encourage productivity and increase shareholders' wealth? These questions have been largely presented to the stakeholders in corporate governance review and we understand better now the intricacies of the relationship between executive compensation and firm performance.

But empirical evidence on the impact of executive compensation package on corporate profitability remains ambiguous. Various authors using different samples of firms and different empirical methodology obtain different, difficult to compare and sometimes contradictory results. While some scholar reported a significant positive relationship between executive compensation and return on capital employed (Thomsen & Pedersen (2000); Berle

& Means 1932; Lloyed, 1987), a significant negative relationship was reported by some other scholars (John, Robert & David 1999; Yongli & Dave 2012; Fernandes 2005). Other scholars reported weak relationship between executive compensation and return on capital employed (Crumley 2008; Michael, Huseyin & Raghavendra 2009; Al-Ahman 2009).

Furthermore, it is increasingly recognized that the problem in disentangling this relationship is largely due to the directors' inability to determine the type and form of compensation that best maximizes the firms' profitability and firms' value at large (Vives, 2000). Therefore, the thrust of this study was to investigate the relationship that exists between executive compensation package and firms' profitability using data from 70 listed companies in Nigeria. Specifically, the study is set to determine the component of the executive compensation that have the greatest impact on earnings per share among the three main components of executive compensation which includes the directors' cash incentive, directors' non-cash incentive and directors' equity based compensation.

The main justification for this study was that many of the previous empirical studies focused on cash incentive (O'Sullivan, Percy, & Stewart, 2008; Ongore, 2011) which has been heavily criticized as lacking ability to promote efficiency (Melvin, & Hirt, 2005; Mallin, & Michelin, 2011; Limpaphayom, & Connelly, 2004). Non-cash payment on the other hand has suffered neglect in empirical studied arising from the general believe that non-cash payment is potentially less fully transparent, given the hard to value nature of the non-cash compensation package. Bebchuk, Fried, and Walker (2002) argue that managers use non-cash incentive compensation to camouflage or facilitate the extraction of rents from shareholders. For example, the true values of non-cash compensation may be distorted by the apparent wide spread practices of option backdating and option repricing (Lie, 2005; Heron & Lie, 2007; Narayanan & Seyhun, 2008). Non cash pay practices, such as deferred compensation, may not be fully disclosed in the financial statement (Lupu, & Nichitean, 2011).

According to Christopher and Abass (2012), listed companies are being encouraged to adopt equity based incentive known as performance based incentive. In line with agency theory, Kim and Gu (2005) suggested that a compensation system based on managerial performance would be a better solution to deteriorating performance of corporate organization because perfect monitoring may be impossible or too expensive. Thus, investigating its impact on profitability will assist the regulatory authorities in recommending it to the directors of listed companies in Nigeria.

LITERATURE REVIEW

Agency Theory

The intellectual foundation for agency theory can be credited to Coase (1937), however the ideas of this theory was practical only to directors and boards since the 1980's. With the proposition of agency theory, individuals are perceived to be self-interested and not altruistic; therefore individuals can never be trusted to always act in others best interest. In other word, individuals will always want to maximize their utilities functions, the agency theory therefore considered managers and shareholders relationship as a contract (Adams, 2013). This implies that managers' actions must be properly monitored to ensure that they always act in shareholders' best interest.

According to Fama and Jensen (1983), as cited by Yenesew (2012), agency theory offers many useful ways to examine the relationship between business owners and managers and

also verify how the final objective of maximizing the returns to the owners is achieved, particularly when the managers do not contribute to the corporation's resources. The theory is a useful instrument in resolving conflicts that might ensue between different stakeholders having conflicting interest in an organization (Cooper & Gulen, 2009).

Similarly, Eisenhardt (1989) posits that agency theory suggests mechanisms which reduce agency loss which can come in form of incentive schemes for managers which reward them financially for maximizing shareholder interests and appropriate selection of board members. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price or as a bonus issue, thus aligning financial interests of executives with those of shareholders (Jensen & Meckling, 1976). Demiran and Yuan (n. d) identified two major contracts governing the manager-shareholders' relationship under agency theory as behavior oriented contract (e.g. salaries) and outcome oriented contract (e.g. ownership, stock option) and argued for outcome oriented contract as the major factor influencing organization performance.

Also, from the point of view of Habbash (2010), agency theory improves corporate profitability by resolving agency problems through monitoring of management activities, controlling self-centered behaviors of management and inspecting the financial reporting process. Therefore, mechanism such as boards of directors and audit committees enables shareholders to closely monitor the activities of managers which will in turn improve organization profitability and increase wealth creation for the principal.

However, agency theory has also been identified by scholars to possess some weaknesses (Donaldson 1990, Hill 1990, Williamson 1985). For instance, Donaldson (1990) criticized the agency theory dominance in terms of methodology individualism, narrow-defined motivation model, regressive simplification, disregarding other research, ideological framework, organizational economics and corporate governance's defensiveness. Similarly, Williamson (1985) identified opportunistic behavior of the minority of individuals, not the majority. He opined that "individual sometimes acts opportunistically and trustworthiness is hardly ex ante transparent. Therefore, emphasis was placed on the need to conduct ex ante screening and develop ex post assurance mechanisms or, in contrary, opportunistic individual will exploit circumstances towards less opportunistic individual. In like manner, the opinion of Tipuric, (2012) was that analyzing phenomena only within agency theory framework may result in disregarding of principal's obligation towards agent, thereby ignoring distrust development and disrespect of agents, neglecting ethical aspects and overlooking of prospective solutions consistent with ethical norms.

Executive compensation and firm's profitability

There have been a number of empirical papers on the relationship between executive remuneration and firm profitability. Thomsen and Pedersen (2000) and Berle and Means (1932) report a positive association between executive remuneration and profitability. Lloyd, (1987) find that the company market value-to-sales ratio is greater for firms with high executive compensation for a study conducted on a sample of 384 firms in Turkish stock market. Furthermore, Thomsen and Pedersen (2000) who took a sample of 435 of the largest European companies reported that, after controlling for other variables, executive compensation has a positive relation with market-to book value of equity as well as the ROA which is a measure of profitability. In addition, it was also reported by Thomsen and

Pedersen (2000) that bonus issue of share has a significant influence in aligning the interest of the managers with the interest of the shareholders.

Sigler (2013) examines the relationship of CEO pay and company performance for 280 firms listed on the New York Stock Exchange for a period from 2006 through 2009. The time frame of the study is a period after the adoption of the Sarbanes Oxley Act and after the SEC approval of the corporate governance rules affecting executive pay for New York Stock Exchange companies. With both descriptive and inferential statistic, a positive and significant relationship between total CEO compensation and company performance measured by return on equity was established. It was also discovered that the size of the firm appears to be the most significant factor in determining the level of total CEO compensation, according to the results, the tenure of the chief executive officer is another significant variable that influence return on equity. In this study, the CEO pay was proxy by monthly salary, cash compensation and total compensation. Therefore, since total compensation may include monthly salary and cash compensation, there is possibility of multicollinearity in data which might have affected the result.

John, Robert and David (1999) investigated the relationship between corporate governance practices, chief executive officer compensation, and firm performance on a sample of 495 observations over a three-year period for 205 publicly traded U.S. firms. The sample is composed of large firms operating in a variety of different industries: the median firm in the sample has corporate sales (expressed in 1984 dollars) of \$3101 million, and the sample includes 14 different two-digit standard industrial classification (SIC) codes, with some concentration in the food, chemical, and electrical industries. The study finds that measures of board and ownership structure explain a significant amount of cross-sectional variation in CEO compensation, after controlling for standard economic determinants of pay. Moreover, it was also discovered that the predicted component of compensation arising from these characteristics of board and ownership structure has a statistically significant negative relation with subsequent firm operating and stock return performance. Overall, it was reported that firms with weaker governance structures have greater agency problems; that CEOs at firms with greater agency problems receive greater compensation; and that firms with greater agency problems recorded the lowest return on equity

Suherman, Wulan and Agung (2011) conducted a study on the kind of relationship that exists between firm performance, corporate governance, and executive compensation in financial firms in Indonesia. The sample of the study comprises 13 financial companies listed during the period 2007-2009 on Indonesian Stock Exchange. The inferential statistic result reveals that the probability for ROA is 0.0001, which implies that a significant positive relationship exists between executive compensation and ROA at 1% level of significance (t-stat=4.37). The argument for this relation is because the bonus given by company to the executive depends on the company profit. The higher the company profit, the higher the bonus that executive will receive. However, the value of probability of total shareholders' returns (TSR) as reported by the researchers was 0.4351 (t-stat=0.79, insignificant), which means no significant relationship was found between TSR and executive compensation. The major deficiency of this study was the representativeness of the sample. 13 companies out of 73 could not be representative. It would have been expected that they study covers the entire population since a very small population was involved.

Another empirical study was conducted by Yongli and Dave (2012) on the relationship between executive compensation, ownership structure and firm performance in Chinese

financial corporation's during the period 2001-2009. Relying on secondary data, it was reported that executive compensation is negatively related to the largest shareholding (-0.017), but positively related to the proportion of shares held by the five largest shareholders and the ten largest shareholders (0.017 and 0.054 respectively), indicating that private companies tend to pay CEOs higher. Moreover, CEO compensation is negatively associated with return on equity RET (-0.027) and ROA (-0.015), indicating that the higher the CEO compensation in Chinese banks, the lower the firm value or firm profitability. In another words, high CEO compensation deteriorates firm value, which is consistent with relation-based theory. As a result, executive compensation in state-owned banks is maintained at a relatively lower level.

Fernandes (2005) conducts a study using firms listed on the Portuguese Stock Exchange. The study was based mainly on secondary data extracted from the audited annual financial statement of the selected companies which was subjected to both descriptive and inferential statistics. The finding of the study reveals that return on equity does not significantly depend on the executive compensation. Similarly, it was also discovered that there is no relation between the wealth of the stockholders and executive compensation. However, the results also indicate that company size is a major determinant of compensation implying that CEOs in large and profitable organizations receive the highest compensation.

Crumley (2008) conduct a study on the relationship between firm performance measured by profitability and CEO compensation in U.S. commercial banks. The study uses 36 sample banking companies in the U.S. in period 2001-2003. The results show that there is a weak relationship between the percentage change in stock return and CEO compensation. Also, a weak relationship was found between the percentage return on assets and CEO compensation of the selected companies. It can therefore be suggested that a weak relationship exists between the CEO compensation and firms' profitability.

According to the empirical study conducted by Michael, Huseyin and Raghavendra (2009) on the relationship between CEO incentive compensation and future stock price performance. Three measures of compensation were used which include the total compensation, (TDC1) which was an aggregate of salary, bonus, total value of restricted stock granted, total value of stock options granted (using Black-Scholes), and long term incentive payouts, total cash compensation (TCC) which includes salary and bonus, and the difference between total compensation and total cash compensation (TDC1-TCC) which is meant to capture the options and incentive components of total compensation. They find evidence that industry and size adjusted CEO pay is negatively related to future shareholder wealth changes for periods up to five years after sorting on pay. For example, firms that pay their CEOs in the top ten percent of pay earn negative abnormal returns over the following five years of approximately -13%. The effect was stronger for CEOs who receive higher incentive pay relative to their peers. This implies that executive compensation has significant relationship with the profitability in the listed companies in Nigeria.

METHODOLOGY

Research Design

This study adopted a descriptive design which is described as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. Descriptive research design has been defined as an efficient way of gathering data on a wide range of sample to help address a research question (Adwally, 2013). This research design

was appropriate for this study as it answers research questions who, what, where, when and how is the problem. Similarly, Joseph, Robert and David (2003) opined that descriptive research design is useful when the research objectives include the determination of the degree to which one variable called dependent variable is influenced by another variable known as independent variable. Since the main objective of this study was to investigate the component of executive compensation that impact company's profitability in Nigeria, the choice of descriptive research design was considered appropriate.

Population and sample selection

The 196 companies listed on the Nigeria stock exchange within the period of 2004 to 2013 financial years formed the population for this study. This period was appropriate because the period witnessed the recent crises that affected the global economy as well as Nigeria listed companies that led to the constant review of code of corporate governance in Nigeria. The population was reduced to a sample of seventy (70) listed companies that were selected from six industries (Banking, Food and Beverages, Breweries, Healthcare, Automobile and Industrial/Domestic products) out of the twenty four (24) industries in which the listed companies in Nigeria are classified through purposive sampling technique. The seventy (70) companies consisted of twenty listed banks, fourteen listed food and beverages, seven listed breweries, ten listed health care companies, six listed automobile companies and twelve listed industrial/domestic product companies. The six industries were chosen based on the fact that they constituted the major employers of labour in Nigeria and they also have the largest stock on the Nigeria stock exchange (Badmus & Oguntuga, 2009).

Data description

The data for the study were extracted from the audited financial statement of the selected companies. The dependent variable was profitability which was proxy by EPS (earnings per share) while independent variable was executive compensation. Earnings per share calculated as the total earnings of a company that belong to common shareholders, divided by the number of common shares outstanding was adopted as a measure of profitability for two principal reasons.

First, earnings per share ratio (EPS ratio) measure the amount of a company's net income that is available for payment to the holders of its common stock (Miller & Triana, 2009). A company with high earnings per share ratio is capable of generating a significant dividend for investors which is the ultimate aim of many investors (Mehrani, 1999). Second, earnings per common share are usually the first financial ratio investors look at when analyzing a stock (Ongore, 2011). Despite its simplicity, this metric is extremely powerful and condenses a great deal of crucial information into a single number (Oman, 2001) which allows investors to compare alternative investments, chart the performance of a particular business over time and estimate the growth of her investments in the future (Sanda, Mukaila, & Garba, 2005). Furthermore, three components of the executive compensation such as directors' cash incentive, directors' non-cash incentive and directors' equity based compensation were considered in this study. The cash incentive was taken as annual remuneration of the directors as disclosed in the financial statement. The depreciation charged on the official cars of the directors, and other fringe benefits of the directors were included in the non cash remuneration. Equity based compensation was the share option allotted to the directors to align their interest with those of shareholders.

Data Analysis

The data analysis covered the descriptive and inferential statistics. Descriptive statistic includes the mean, median, mode and the standard deviation of the variables. Inferential statistics on the other hand included the Pearson product moment correlation coefficient and regression analysis. The correlation coefficient was used to establish the type of relationship that existed between dependent variable and the independent variables while the multiple linear regression analysis was used to ascertain the amount of variations in the dependent variable which can be associated with changes in the value of an independent or predictor variable in the absence of other variables with the use of T-statistic. T –statistic refers to the ratio between the model mean square divided by the error mean square. The significance of the model was tested at 95 percent confidence level. The p-value of the F-statistic was used in determining the robustness of the model. In other word, when the p-value was less than 0.05, it was inferred that the model was significant.

Therefore, to determine the impact of executive compensation on profitability, the following regression model was estimated.

$$EPS = \beta_0 + \beta_1(DCASH_t) + \beta_2(DNCASH_t) + \beta_3(DSTOCK_t) + \varepsilon_t \dots \dots \dots 1$$

Where:

β_0 = represents the constant

β_1, β_2 = represents the coefficient of the independent variables

EPS= earnings per share in time t

DCASH_t= Directors' cash incentive in time t

DNCASH_t= Directors' non-cash incentive in time t

DSHARE_t= Directors' share bonus in time t

ε_t = is the error term assumed to be normally distributed with zero mean and constant variance.

RESULTS AND DISCUSSION

Descriptive Results

The descriptive statistics results presented in table 1 was from a sample of 70 companies listed on the Nigeria stock exchange for a period of 10 years ranging from 2004 to 2013. The finding indicated that the mean of the dependent variable earnings per share was 0.69 indicating than an average company in Nigeria recorded earnings per share of close to 6.9% during the years under review. Based on the result of earning per share, it can then be inferred that listed companies maintained an acceptable level of profitability during the years of this study. The result was in agreement with the finding of Imaam and Malick (2009) who considered earnings per share of 0.61 acceptable for a study conducted on the quoted companies in Yugoslavia. However, the results disagreed with those of Gang, Limp and Dwamas (2001) who reported that in a worst scenario, earnings per share should not be less than 0.75 as this represents the value a company has created for its investors. The minimum and maximum values of earnings per share were 0.58 and 1.68 respectively. The result implies that none of the companies sampled reported earnings per share below an acceptable rate of 5% as recommended by Tuan (2010).

The descriptive results for the independent variable directors' cash incentive produced a mean of 161,387 USD while the minimum and the maximum figures were 36,508 USD and 456,550 USD respectively. The wide margin between the minimum and the maximum figures for the directors' cash benefit is attributable to the size of the board as well as the size of the companies. The result affirmed the results of Shahab-u-Din and Attiya (2012) where the cash

incentive of 160,000 USD was reported for the listed companies in Pakistan. In like manner, the result of the descriptive statistic for the non cash incentive of the directors indicated that the mean was 11346 USD while the minimum and the maximum figures were 7749 USD and 47,853 USD respectively. The result can also be considered reasonable owing to the fact that the company with the largest board size has fourteen members while the company with the smallest board size has six members. Also, the wide disparity between the smallest figure of earnings per share and the highest figure of earning per share was an indication of the level of disparity that exists between the result of the smallest and the largest company in the sample for this study.

Therefore, the selection of both small and large companies in this study can however lend credibility to this study as many of the previous studies faced criticism of the sample comprising either the larger companies (Yermack, 1996; Kusnadi, 2005; Mak & Li, 2001; Mak & Shakir, 2008) or the smaller companies (Mak & Shakir, 2008; Ademulegun, 2009; Druno & Claessens, 2010; Renders, 2010; Price, 2011; Macauley & Randoy, 2013). Furthermore, the result of the descriptive statistic for the directors' bonus issue of share indicated that the mean was 15785 USD. The minimum figure was 10643 USD while the maximum figure was 39050 USD. This result indicates a relatively high level of adoption of performance based incentive as the bonus issue of share was tied to satisfactory performance.

Table 1. Descriptive Statistics

1	Mean	Std. Err	Median	Std. Dev.	Sam.Var.	Kurtosis	Skewness	Min.	Max.	
Count										
EPS	0.69	0.10943	0.703	0.462	0.572	-0.7168	1.0147	0.58	1.68	70
DCI	32116	594	30250	3759	0.41334	-1.7033	0.3033	6973	87201	70
DNC	2167	166	2229	1271	0.7826	-0.4647	1.972	1480	9140	70
BIS	3015	152	5829	964	0.9288	-0.3294	1.0203	2118	7771	70

Note: EPS- Earnings Per Share, DCI- Directors Cash Incentive, DNC- Directors Non-Cash Incentive, BIS- Directors Bonus Issue of Share.

Inferential Results

To statistically determine the relationship between the independent variables and the dependent variable, a multiple linear regression analysis was carried out. From table 2, the regression results revealed that $R=0.849$ and $R\text{-Square}=0.721$. The $R\text{-Square}$ indicates that the explanatory power of the independent variables was 0.721. This implies that 72% of the variations in the profitability of listed companies in Nigeria can be attributed to the combine effect of directors' cash incentives, non-cash incentive and the bonus issue of share while the remaining 28% of the variation in profitability can be attributed to the other factors not captured in this study.

Table 2 Model Summary

R	R Square
.849 ^a	.721

a. Predictors: (Constant), Directors' Cash Incentive, Non-Cash incentive, Bonus Issue of Share

The analysis of variance (ANOVA) test result in table 3 indicated that the significance of the F-statistic was 0.000 which was less than 0.05 meaning that null hypothesis is rejected and

conclude that there is a relationship between all independent variables jointly (directors' cash incentives, non-cash incentive and bonus issue of share) and earnings per share.

Table 3 Analysis of Variance Results

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	440.812	3	88.162	24.155	.000 ^b
Residual	1514.718	697	3.650		
Total	1955.530	700			

a. Dependent Variable: Earnings per Share

b. Predictors: (Constant), Directors' Cash Incentive, Non-Cash incentive, Bonus Issue of Share

The result of the regression coefficients of the independent variables was displayed in table 4. Directors' cash incentives indicated a positively correlation with earnings per share with beta coefficient of 0.327 and p value of 0.000 which was less than the value of 0.05. This implies that adequately remunerated directors deliver higher returns to the shareholders. This result supports that of Lloyed, (1987) who reported that the company market value-to-sales ratio is greater for firms with high executive compensation for a study conducted on a sample of 384 firms in Turkish stock market whereas, the result of John, Robert and David (1999) that investigated the relationship between corporate governance practices and firm performance on a sample of 205 publicly traded U.S. firms that reported a negative correlation directors salary and firms performance was not upheld by this result.

Similarly, the relationship between the directors' bonus issue of share and earnings per share was positive and significant. The beta coefficient was 0.219 while the p-value was 0.022 which was the less that the value of 0.05. This implies that a unit increase in the explanatory variable directors' bonus issue of share causes 22% increase in the profitability of listed companies in Nigeria. The result was similar to those of Suherman, Wulan and Agung (2011) who conducted a study on the kind of relationship that exists between firm performance, corporate governance, and executive compensation in financial firms in Indonesia where the inferential statistic result reveals that the p-value for ROA was 0.0001, which implies that a significant positive relationship exists between directors' share option and ROA at 1% level of significance (t-stat=4.37). The simple explanation for this relation is that the bonus given by company to the directors is based on the company profit. The higher the company profit, the higher the share bonus that will be issued to the directors. In addition, it was also reported by Thomsen and Pedersen (2000) that bonus issue of share was a good incentive in aligning the interest of the managers with those of shareholders.

Contrary to the existing literature (Eisenhardt, 1989; Flannery, 1996; Geoffrey, & Nicholson, 2003; Goddard, 2008), an insignificant relationship was found between the directors' non-cash incentives and earnings per share. The t-statistic was 1.071 while the p-value was 0.095 which was greater than 0.05 and thus necessitating the acceptance of our hypothesis which stated that there is no significant relationship between the directors' non-cash incentive and earnings per share of listed companies in Nigeria. This result supports those of Walker (2009), Zingales (2013) and Mallin (2014).

Table 4 Overall Regression Model Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Cash Incentive	.327	.113	.287	2.894	.000
Share Bonus	.219	.012	.336	18.250	.022
Non-Cash Incentive	.015	.014	.155	1.071	.095

a. Dependent Variable: Earnings per Share

CONCLUSION AND RECOMMENDATIONS

The relationship between executive compensation and profitability of the listed companies in Nigeria was investigated in this empirical study with specific focus on three aspect of executive compensation package which includes the directors' cash incentive, non-cash incentive and bonus issue of share. The study relied on the secondary data extracted from the audited financial statement of the 70 companies selected for the study which was subjected to both descriptive and inferential statistic with the aid of statistical package for social sciences version 19. The period of the study was 10 years from 2004 to 2013.

The result of the descriptive statistics indicated that the listed companies in Nigeria have recorded significant increase in profitability in the last ten years. This conclusion was based on the mean of 0.69 obtained for earnings per share for the period of ten years under consideration. As recommended by Goddard (2008), it is very worthwhile to track a company's earnings per share ratio on a trend line. If the trend is positive, then the company is either generating an increasing amount of earnings or buying back its stock. Conversely, a declining trend can signal to investors that a company is making adequate profit, which can lead to a decline in the stock price, firm value and shareholders fund.

Furthermore, inferential statistics revealed a significant relationship between the explanatory variables and profitability indicator. Specifically, earning per share was found to be significantly correlated with directors' cash incentive which was in an expected direction considering the trend of literature on the subject. It simply means that listed companies were probably able to retain the best and experienced board members whose skills and experience contributed to the increase in profitability of the companies.

For the bonus issue of share, the conclusion was that, it is a significant factor in aligning the interest of the management with those of shareholders in order to motivate them to act in the best interest of the shareholders. Thus, the increase in profitability could be attributed to the directors' efficiency since the regression results revealed a significant relationship between the share bonus of the board and earnings per share. The regression result also suggests an existence of positive but insignificant relationship between the directors' non-cash benefit and earnings per share. The insignificant relationship suggests that non-cash incentive is not a good incentive for motivating the directors of listed companies in Nigeria

In conclusion, the overall regression result revealed that cash incentive has the highest coefficient and thus, most significant in influencing the earnings per share. This was followed by the bonus issue of share while the non-cash incentive has the weakest influence on earning per share. It can therefore be recommended to the management that weight should be assigned to the variables in that order. The policy makers also need to provide adequate regulation on the determination of remuneration of the directors of listed companies in

Nigeria while further studies can employ the use of primary data on the same topic to obtain the opinion of respondents to test the reliability of the secondary data already documented.

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