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Effect of Executive Compensation and Incentives on Corporate Earnings of Selected Listed Manufacturing Firms in Nigeria: A Panel Data Analysis (2009-2019)

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Abstract:
Background*: The study examines the effect of executive compensation and incentives on corporate earnings of selected listed manufacturing firms in Nigeria. The proxy variables base-pay, executives' bonuses and stock-based payments were used to determine the effect of the independent variable executive compensation and incentives on the dependent variable corporate earnings while the net income was used as the proxy for corporate earnings.*
Research Methodology/Approach*: Using ex-post fact research design, panel (time-series cross-sectional) data were collected from four (Nestle Plc., Guinness Plc., Nigeria Breweries Plc. and Cadbury Plc.) listed manufacturing firms' financial statements between 2009 and 2019. Econometric approach was used through Correlation, Panel Least Square (PLS) Method and Causality analyses to test the hypotheses while the econometric software package (E-Views, 9.1) was employed to aid all the analyses.*
Findings*: We found that base-pay, executives' bonuses and stock-based payments have significant positive effect on corporate earnings of selected manufacturing firms in Nigeria.*
Conclusion: *The study concludes that executive compensation and incentives has effect on corporate earnings of selected listed manufacturing firms in Nigeria. Therefore, listed manufacturing firms shareholders should continue to offer good base-pay to attract, retain and motivate executives for superior performance while ensuring that multiple bonus performance standards aided by the 80/120 bonus plan should be employed to forestall rent attraction activities by executives. It also infers that competitive base-pay drives executives for higher earnings, bonuses (annual bonus plans) drives executives for short-terms goals and the stock-based payments encourage the executives to attain long-term corporate success, thus, representing a good mechanism for alignment.*
Keywords*: Executive Compensation, Incentives, Corporate Earnings, Listed Manufacturing Firms, Annual Bonus Plans, Share-Based Payments*

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I. Introduction

Globally, there is a resurgence of renewed interests among business practitioners and management scholars on whether executive compensation and incentives (ECI) affects corporate earnings (CE). The renaissance of ECI-CE debate was conspicuously necessitated by the clamour for performance-related pay Aslam et al. (2019) particularly for manufacturing companies, coupled with the need to align executives-shareholder interests (Usman, et al., 2020). Also, the geometric growth of ECI over the years, its wide variation from other employees' compensation Sani et al. (2020) and the mouth-watering compensation pocketed by senior corporate executives annually, which, in most cases, perceived to be insensitive to corporate earnings, is generating intense debate (Appah, et al., 2020).

Apparently motivated by the superfluous ECI, besides the claw-back provision and super-tax measures, Section 951 of the Dodd-Frant Act (2011) and {Final Rule 14a-21(a)} of the Companies' Act (2013) under Shareholder Rights Directive II have been set-up by the USA and the UK to ensure that shareholders have "Say-on-Pay". The move is to prevent rent-seeking managerial behaviour. Although there is no explicit regulatory act on ECI in Nigeria, full compliance disclosure regarding remuneration is required by Guideline 10 of the unified Financial Reporting Council of Nigeria's Corporate Governance Code released in 2018. Besides weak regulatory measures in Nigeria, empirical findings are conflicting. For instance, while Omoregie and Kelikume (2016), Oyerogba et al. (2016) Olaniyi and Obembe (2017), Ugoani (2017), Mbanyele (2020) reported positive significant effect of executive compensation on firm performance, conversely, Usman, et al. (2015), Ogbeide

and Akanji (2017), Otekunrin et al. (2018) reported significant negative effect, yet, Onakoya et al. (2018), Omoregie and Kelikume (2017), Usman et al. (2020) reported insignificant effect.

Although, executives in Nigeria are not Africa's highest-paid as reported by This Day Newspaper (2020), top-10 Nigeria's executives earned ₦3.478 billion ($8.918 million) as compensation in 2019, whereas, South African highest paid executive, Mr. Alan Clark of SABMiller earns about $2.136million above this figure in 2019. Despite, the widening disparity between executives and other employees' pay, incommensurable rise in ECI and CE, or their disproportionate growth rate amid declining corporate earnings due to exogenous factors such as the economic recession, it is therefore considered empirically exigent to re-examine the long-running debate between ECI and CE.

1.2 Objectives of the study

The main objective is to examine the effect of executive compensation and incentives on Corporate Earnings in Nigeria using selected listed manufacturing firms in Nigeria. However, the specific objectives are to:

a. Critically ascertain how base-pay affects net earnings of manufacturing firms in Nigeria.
b. Determine how executive bonuses affect net earnings of manufacturing firms in Nigeria.
c. Find-out how stock-based payment affects net earnings of manufacturing firms in Nigeria.

1.3 Research questions

The research work was designed to address the following questions:

a. How does base-pay affect net earnings of manufacturing firms in Nigeria?
b. How does executives' bonuses influence net earnings of manufacturing firms in Nigeria?
c. How does stock-based payment affect net earnings of manufacturing firms in Nigeria?

1.4 Research Hypotheses

Based on the questions raised, the following null hypotheses have been formulated:

H_{01}: Base-pay has no effect on net earnings of manufacturing firms in Nigeria.
H_{02}: Executive bonuses do not significantly affect net earnings of manufacturing firms in Nigeria.
H_{03}: Stock-based payment does not significantly affect net earnings of manufacturing firms in Nigeria.

II. Literature Review

2.1 Concept of Executive Compensation and Incentives

Executive Compensation and Incentives (ECI) connotes the various remuneration package given to top-management as reward for the professional service rendered to an organization within a specific period of time (Otekunrin et al. 2018; Blanes & Porcuna, 2020). Although the notion of providing competitive structure to attract, retain and motivate employees is generally accepted by compensation studies, the studies are divided into pro and anti-studies regarding the significance of the widening disparity of ECIs in business organizations. For instance, while the pro-ECI studies (Olaniyi & Obembe, 2017; Onakoya et al., 2018) justify the huge ECI on the ground that, first, executive take a lot of responsibilities and risks towards ensuring the realization of corporate goals. Secondly, talents market is scarce, yet, the business environment is becoming hypercompetitive, thus, competitive organizations need to offer very attractive compensation to their executives because their rare talents (capabilities and experience) are irreplaceable towards actualizing organizational goals (Akewushola & Saka, 2018). Finally, the ECI pro-school of thought maintain that offering good compensation and incentives demotivates executives to indulge in rent-seeking extraction activities which strengthens organizational psychological bond (Usman et al., 2020).

However, the counter-arguments of the anti-ECI studies (Etengu & Kwerigira, 2016; Sani, 2019; Sani et al., 2020) cast doubt on ECI significance. First, they argue that excessive risks pursued by executives in the bid to expand their compensation leads to inordinate greed which is the bane of managerial recklessness that ignited the 1930's and 2008-9 global economic crises including corporate scandals at multinational companies like (Enron and WorldCom) and national companies like (Cadbury Nigeria Plc. and Lever Brothers Nigeria Plc.).Etengu and Kwerigira (2016) argued that offering well-oiled ECI has not translated into good earnings for companies. Furthermore, Kurawa and Saidu (2017), and Olaniya (2015)contend that attractive ECI has not prevented executives from perpetuating scandalous activities.

For the sake of clarity, it is exigent to explain the difference between compensation and incentives; while the former connotes actual remuneration (such as base-pay) given to executives vis-à-vis the service they discharge for the company, the latter connotes remuneration (such as bonuses and stock-based) given to executives in the actualization of specific targets or beyond-target performance. Specifically, compensation encompasses base salary, benefits and perquisites, on the other hand, incentives encompass short-term incentives (bonuses) and long-term incentives (stock-based plans, e.g., stock-options), (Zhandi et al., 2019; Gox

& Hemmer, 2020; Gbe &Ejedegba, 2020; Merino et al., 2020). Within the Nigerian business environment, especially among listed companies, ECI entails base-pay/salary, bonuses and stock-based incentives. Thus, these are taken as the constructs of ECI for this study. They are briefly explained as follow:

2.1.1 Base-Pay/Salary

This refers to the cash compensation given to executives bi-weekly or monthly. It is usually fixed and the most important component of executive compensation determined by the board of directors' compensation committee using market pricing and benchmarking (internally and externally) with external competitiveness as the major goal. Its importance is the fact that it is the basis for determining other executive compensation like the executive bonuses.

2.1.2 Executive Bonuses (short-term incentive)

These are additional cash reward given to executives annually because of the achievement of certain; i) measure of performance within the past time-period, that is, performance measures; ii) predetermined (such as budget, prior year, peer-group, cost of capital, timeless and any other discretionary) standards within the previous year, and iii) present performance range; the most common of this kind of bonus plan is the 80/120 plan. Here, any executive performance below 80% or above 120% would not attract bonus unless it falls within the range (Slavica & Ivana, 2011). Bonus plans vary and are usually financial, but they can be non-financial as well. They can also be single or multiple, depending on the company, but among Nigerian listed companies, they are mostly multiple and financial in nature.

2.1.3 Stock-Based (long-term incentive) Payments

This refers to extra reward given to executives but in form of stock. Purposefully, it is used to focus the executives on corporate long-term success and also align executives and stockholders' interests. Basically, it comprises of stock-option plans (stocks given to executives as set-price), stock appreciation rights (SARs) (similar to stock option but based on difference between the stock current market value including stated value of stock option), restricted stock plans (shares of stock granted but their sales tied to the actualization of certain conditions), phantom stock plans (units awarded like shares of stocks but not stocks to avoid ownership dilution) and performance-share plans (units of stocks granted based on performance target), (Sani, et al., 2020; Gbe & Ejedegba, 2020). However, in this study on listed manufacturing firms in Nigeria, stock-options, SARs and performance-share plans are used.

2.2 Concept of Corporate Earnings

Corporate earning refers to the total sum profits or income generated in a fiscal year by a company after the removal of expenses from revenue. Generally, earnings show a clear and comprehensive picture of a company's financial health. Specifically, it is a barometer for determining a company's profitability and valuations efficiency. Different types of earnings (Earnings Before Interest, Taxes, Depreciation and Amortization, Earnings Before Interest and Taxes, Earnings Before Taxes, Net Earnings and Earnings Per Share) exist; with each type showing the profits that a company makes at different stages. However, the net earning is the ultimate reflector of a company's profitability, because all factors and expenses are taken into consideration to determine the true profitability status of an organization. Although, Ubesie et al. (2020) and Sani et al. (2020) criticized net earnings for its susceptibility to manipulation because different accounting methods are applicable in its calculation, nonetheless, in this study, the net earning is used to measure corporate earnings because all the firms being studied are manufacturing firms and it shows the true earnings of a company even though it is prone to manipulations.

2.3 Theoretical Framework

The agency theory of corporate governance popularized by Jensen and Meckling (1976) is adopted for this study. According to the theory, the separation between agents (managements) and principal (shareholders) birth agency problem. In other words, the theory argues that, the divorce between governance and control in business relationships will always result into agency cost which can be detrimental to the business performance. To this end, the theory strongly recommends the use of alignment mechanism to ensure convergence of (divergent) interest between agents (managements) and shareholders (principals). One of such alignment mechanisms as it relates to this study is the use of performance-based ECI as a sine qua non for good alignment mechanism.

However, the effectiveness of the performance-based ECI as a mechanism to ensure management-shareholders alignment mechanism has been a subject of intense controversy. To the supporters (Onakoya, et al., 2018; Barde &Zik-Rullahi, 2020; Usman et al., 2020) of performance-based ECI, the use of performance-based bonus plans enables managements to focus on long-term corporate success and not short-term (such as yearly

earnings). Conversely, the critics (Bebchuk & Fried, 2004; Bebchuk, Fried, & Walker, 2002) contend that executive power are used (exercised) to influence the board (compensation committee) during the decision-making processes regarding their compensation arrangement using specific structural and social-psychological mechanisms (Agyemang-Mintah, 2016; Sani, 2019). This consequently results into higher compensation levels including performance-insensitive compensation. Their contention is that performance-based ECI cannot be used as alignment because the "executive power" unusually supersedes the board – the highest decision-making organ (Akram et al., 2019; Ntim et al., 2016). Besides, the Nigerian corporate environment is characterized with principle-based corporate governance, sheer disregard for corporate laws and weak shareholders' protection laws (Bala et al., 2020; Fadahunsi, 2019), thus, further strengthening "executive power".

Notwithstanding the divergent views on the alignment mechanisms of the performance-based ECI agency theory claim, the theory itself has faced some criticisms such as biased view of individual risk appetite (Wiseman & Gomez-Mejia, 1998), presupposes incompatibilism between social obligation and autonomy concerning managerial activities (Rashid, 2016). Nevertheless, the theory is widely referenced and highly related to ECI.

2.4 Empirical Review

Researchers have attempted to uncover how ECI affects company's performance in Nigeria. For instance, using panel vector autoregressive model test data (2005-2014) collected from 12 commercial banks in Nigeria, Omoregie and Kelikume (2017) found that executive pay has positive significant effect on customers' deposits and equity-assets ratio but negative effect on return on equity. Similar study by Ekienabor et al. (2019) using panel least square and data (2010-2014) from 10 banks revealed that CEO compensation has strong effect on Returns on Assets (ROA), Gbe and Ejedegba (2019) findings validate Ekienabor et al. findings. Also, Barde and Zik-Rullahi (2020) employed robust ordinary least square regression to test data (2007-2018) collected from 14 commercial banks and found that while CEO pay is positively strong, executive chairman and highest paid director's pay are negatively significant with net interest margin.

Using another endogenous variable (banks' value) in a similar study, Kantudu and Zik-Rullahi (2020) found that CEO and chairman's compensation positively influence Tobin's Q while the highest paid director has negative effect. Akinyomi et al. (2019) used regression analysis to test data (2009-2018) collected from three listed hotels in Nigeria and found that directors' remuneration has significant effect on the ROA. However, using panel regression estimates to test data (2001 to 2016) from 11 insurance firms in Nigeria, Omoregie and Kelikume (2019) found that profitability measures are insignificant to executive compensation. Similarly, a recent study by Oladimeji and Shobayo (2020) using regression analysis to analyze data (2010-2015) collected from 5 manufacturing firms reported insignificant connection.

The reviewed empirical studies revealed previous attempts to uncover executive compensation and companies' performance relationship. However, certain gaps exist. First, there are still limited published studies. Secondly, no published study was found on manufacturing firms in Nigeria beside the study of Oladimeji and Shobayo (2020). Preponderance of documented studies focused on the banking sector despite manufacturing sector strategic importance to Nigeria's economy and the fact that manufacturing firms Chief Executive Officers (CEO) are among the top-10 highest-paid CEOs in Nigeria. Besides, findings from these studies are equivocal. Thus, this study is justified on the foregoing gaps to examine how executive compensation affects net earnings of the Nigerian listed manufacturing firms.

III. Methodology

In view of the formulated hypotheses, this study adopts a quantitative methodology. Specifically, a descriptive correlational research design is adopted to systematically investigate and describe the current state of events between ECI and NE as well as their relationship. As quantitative research approach, this design utilizes verifiable quantitative data, proven and dependable scientific technique, hence, its findings are highly generalizable. This study concentrates on manufacturing firms that are listed on the Nigeria's stock exchange (NSE) website. The website's record shows that as at 31st December, 2020, the consumer-goods section of the manufacturing firms has a total of twenty-two listed firms. Thus, this becomes the study population.

Four companies are selected using a modified version of the Taro Yamene (1967) sample formula.

$$n = \frac{N}{(1 + N(e)^2)} \div 5$$

Where: n = sample size; N = total study population; e = error margin = 0.05;

5 = arbitrary number introduced to further reduce the size

$$n = \frac{22}{(1 + 22) * (0.05)^{2)}} \div 5 = 4$$

Using purposive sampling technique, Nestle Plc., Guinness Plc., Nigeria Breweries Plc. and Cadbury Plc. are selected because they are among the top-20 highest-paid CEOs in Nigeria.

This study uses panel data because the data is a hybrid of two-dimensional data set. Specifically, it combines time-series data (which spans between 2009-2019 time-period), and cross-sectional data (taken from sampled firms). The use of secondary data in this study is strengthened by the full disclosure of research variables in the sampled firms' financial statement. Also, it is worthy of note to state that the credibility of the information extracted from these companies' report is high because they have been professionally certified. Specifically, the companies' financial statements (statement of profit or loss and other comprehensive income and the notes to the accounts) are used. Data extracted for Executive Compensation and Incentives are base-pay, executives' bonuses and stock-based payments while for the Corporate Earnings is the net income.

3.1 Data Analysis

This study adopted econometric approach aided by Correlation, Panel Least Square (PLS) Method and Causality analyses. First, to uncover ECI-CE relationship, the correlation (specifically, the Pearson Product Moment) is adopted. The PLS is used to account for individual heterogeneity since the data used is a time-series cross-sectional data. Thus, PLS method provides more informative data, more variability, less co-linearity among the variables, more degree of freedom and efficiency. Finally, (granger) causality is used to determine the existence, or otherwise, of the direction (or nature) of relationship between ECI and CE. Accepting/Rejecting hypotheses is done at 5% significance level. E-Views, 9.1 (an econometric software package) was employed because of its suitability and superiority for panel data methodology (Keil, 2010; Charbaji, 2011; Agung, 2014).

Model Specification

This study modifies the empirical work of Oyerogba et al. (2016), Onakoya et al. (2018), and Oladimeji and Shobayo (2020) to formulate its functional, structural and econometric model. Adopting a panel least square, the general regression model is:

$Y_{it} = \delta_0 + \sum \delta_i X_{it} + \varepsilon_{it}$- - - - - - - - - - *eqn*-(1)

The hypothesized relationship is functionally expressed as follows:

Corporate Earnings (CE) = f (Executive Compensation Incentives)- - - - - *eqn* -(2)

The modified functional model above was rewritten using its relevant proxies as follow:

$NE_{it} = f\ (BP_{it}, EB_{it}, SP_{it})$- - - - - - - - - - *eqn-(3)*

The functional specification model (eqn-3) is econometrically rewritten as follows:

$NE_{it} = \varphi_0 + \varphi_1 BP_{it} + \varphi_2 EB_{it} + \varphi_3 SP_{it} + \mu_{it}$- - - - - - - - - *eqn-(4)*

Where: f = functional relationship; t = time-series observations of the variables

i = cross-sectional observations of the variables;

φ_0 = Intercept of relationship in the models, μ = error or stochastic term.

Table 3.1: Operationalization of research variables and references

Notation	Proxy	Variable	A Priori	References
Dependent variables				
NE	Net Earnings	Corporate Earnings	Lee & Lu (2014), Ubesie et al. (2020), Murphy & Drury (2020)	
Independent variables				
BP	Base-Pay	Executive Compensation	+	Akinyomi, et al., (2019), Sani (2019), Ekienabor et al. (2019), Oladimeji &Shobayo (2020), Bala et al. (2020)
EB	Executive Bonuses	Executive Compensation	+	Omoregie&Kelikume (2019), Onakoya et al. (2018), Ibrahim & Ahmed (2020), Appah et al. (2020).
SP	Share-based Payments	Executive Compensation	+	Olaniyi and Obembe (2015), Akewushola& Saka (2018), Zhandi, et al. (2019), Sani, et al. (2020)

Source: Author, 2020.

3.2 Descriptive Analysis

Descriptive statistics results reveal that the selected manufacturing firms varied widely with regards to their Net Income (NI), but low variation is recorded in the case of Stock-Based Payment (SP) and lower in the case of Executive Bonuses (EB) and the lowest variation recorded in the case of Base-Pay (BP). All the variables are positively skewed with SP highly skewed. Also, their kurtosis values show that they are all leptokurtic (high kurtosis) and considering their respective high std. dev. values, the p-value of their Jarque-Bera statistics confirmed that they are all abnormally distributed since their values are less than 5%. Consequently, the values were logged.

Table 3.2: Descriptive Results

	NE	BP	EB	SP
Mean	44051.68	397.0227	366.3939	406.6136
Maximum	200177.0	1343.000	1705.000	4997.000
Minimum	-296.0000	75.00000	2.000000	7.000000
Std. Dev.	53066.23	303.6977	447.1651	1000.498
Skewness	1.719664	1.079715	1.565218	3.917288
Kurtosis	5.038856	3.503057	4.701945	17.50197
Jarque-Bera	29.30750	9.013036	17.45734	498.0944
Probability	0.000000	0.011037	0.000162	0.000000
Observations	44	44	33	44

Source: E-Views, 9.1

3.3 Correlation Analysis

Table 3.3: Results of Correlation Analysis

		NE	BP	EB	SP
NE	Pearson Correlation	1	.621**	-.035	.164
	Sig. (2-tailed)		.000	.849	.288
	N	44	44	33	44
BP	Pearson Correlation	.621**	1	-.128	.148
	Sig. (2-tailed)	.000		.477	.337
	N	44	44	33	44
EB	Pearson Correlation	-.035	-.128	1	-.073
	Sig. (2-tailed)	.849	.477		.686
	N	33	33	33	33
SP	Pearson Correlation	.164	.148	-.073	1
	Sig. (2-tailed)	.288	.337	.686	
	N	44	44	33	44

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS, 25.

Correlation results show that Base-Pay (BP), Executive Bonuses (EB) and Stock-Based Payments (SP) has correlation value of .621, -.035 and .164 respectively, and with corresponding sig. values of .000, .849 and .288. This implies that while BP exhibits a positively strong association with Net Earnings (NE), EB has a weakly negative relationship with the NE and SP has an insignificant but direct relationship with the NE.

3.4 Regression Analysis

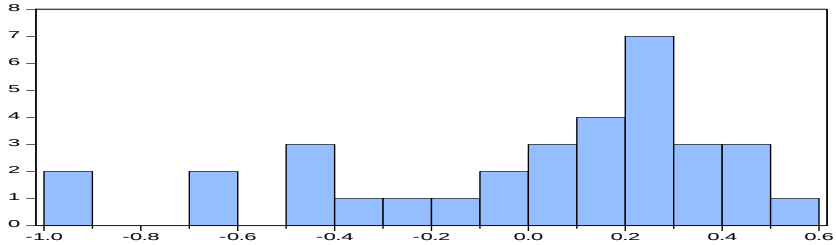
The regression result shows that, absence of executives' compensation and incentives has negative effect on Net Earnings (NE) as shown by the constant value of -2.3349, though the effect is insignificant (since the prob. value (0.3169) is less than 5%. The coefficient results (0.8062, 0.3515 and 0.3689) from the executives' compensation and incentives constructs (BP, EB and SP) shows that they all have positive effects on the NE. Also, their t-Statistic (2.3792, 3.5347 and 2.2780) and respective prob. (0.02, 0.00 and 0.03) values confirm that they are all significant. Consequently, the null hypotheses of no (significant) effect fail empirically to be accepted.

Table 3.4: Panel Least Square Result

Dependent Variable: NE				
Method: Panel Least Squares				
Date: 12/15/20 Time: 05:43				
Sample: 2009 2019				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.334971	2.292557	-1.018500	0.3169
BP	0.806273	0.338876	2.379256	0.0241
EB	0.351537	0.099451	3.534764	0.0014
SP	0.368945	0.161955	2.278065	0.0303

R-squared 0.755636 Adjusted R-squared 0.730357
F-statistic 29.89179 Prob(F-statistic) 0.000000
Durbin-Watson stat 1.836710 Source: E-Views, 9.1

3.4.1 Regression Diagnostics – Histogram Normality Results



Source: E-Views, 9.1

Judging by the mesokurtic value (2.92) and Jarque-Bera statistics p-value (0.07) of the histogram model, it is apparent that the model stochastic variables is normally distributed.

3.5 Causality Analysis

Table 3.5: Granger Causality Results

Pairwise Granger Causality Tests			
Date: 12/15/20 Time: 05:59			
Sample: 2009 2019			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
BP does not Granger Cause NE	36	0.03746	0.9633
NE does not Granger Cause BP		0.67584	0.5161
EB does not Granger Cause NE	27	3.62240	0.0337
NE does not Granger Cause EB		0.94880	0.4025
SP does not Granger Cause NE	36	1.34220	0.2760
NE does not Granger Cause SP		3.43283	0.0250

Source: E-Views, 9.1

Based on the 5% critical significance level, results in Table 3.5 reveal only the presence of unidirectional causality which runs from Executive Bonuses (EB) to Net Earnings (NE), and from Net Earnings to Share-Based Payments (SP) as their respective F-Statistics p-values (0.03 and 0.02)are significant at 5% and 1% significance levels.

IV. Discussion of Findings

Specifically, three findings were made based on the hypotheses tested. First, it was found that base-pay, executives' bonuses and stock-based payments, all have positive effect on selected manufacturing firms' net earnings (NE). This implies that increase in executives' base-pay, bonuses and stock-based payments lead to improved corporate earnings. These finding agrees with most prior empirical studies (Olaniyi & Obembe, 2017; Onakoya et al., 2018; Ekienabor et al., 2019; Gbe &Ejedegba, 2019; Barde &Zik-Rullahi, 2020; Kantudu &Zik-Rullahi, 2020) which inferred that competitive executives' remuneration package strongly drives for superior performance. Every executive wants an attractive compensation package because it incentivizes them to invariably strive for impressive corporate earnings, to at least, save their jobs. This justifies why the critics (Etengu&Kwerigira, 2016; Zhandi, et al., 2019, Omoregie & Kelikume, 2019, Oladimeji &Shobayo, 2020) argued that executives usually strive to exercise (undue) influence over board' compensation committee to ensure they get huge packages and office perks. Also, aside base-pay, providing executives with bonuses and share-based payments create additional performance drive for them to improve their efforts in ensuring sustainable returns.

However, this study could not establish causality between base-pay and net earnings but between Executive Bonuses and Net Earnings, and between Net Earnings and Stock-Based Payments. Judging by the causality nature of executive bonuses and stock-based payment, it implies that while the former acts as a good reward mechanism, the latter acts as a good performance-motivator. Thus, suggesting the applicability of the agency theory alignment mechanism. This agrees with Olaniyi et al. (2017) that incentives (especially stock-based payments like performance-vested stock/options)aligns executive's goals with stockholders that found causality presence but contradict Omoregie and Kelikume (2016) position of no causality.

V. Conclusion

This study concludes that executive compensation and incentives has effect on corporate earnings of selected listed manufacturing firms Nigeria. In specifics, while competitive base-pay drives executives for higher earnings, bonuses (annual bonus plans) drives executives for short-terms goals and the stock-based payments focus the executives on the long-term corporate success, thus, representing a good mechanism for

alignment. Although, the obsession for bogus compensation and incentives drives executives towards inordinate greed which is the bane of the 21st century financial scandals, this study however argues that, with rule-based compensation regulations, managerial opportunism (through rent-extraction activities) that leads to blotted administration costs and reduced shareholders' reward will be impossible.

VI. Recommendations

This study recommends that listed manufacturing firms' shareholders should continue to offer good base-pay in order to attract, retain and motivate executives for superior performance. Also, concerted efforts should be made to make use of multiple bonus performance standards aided by the 80/120 bonus plan to forestall rent attraction activities and prioritize the use of restricted stock plans which would involve eliminating stock-option plans and reducing the use of stock appreciation rights, because, unlike others, restricted stock plans prevent executives from selling the shares granted until maturity of certain conditions.

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