

Corporate Compensation and Corporate Performance of the listed Non-Financial Companies in Nigeria

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ABSTRACT:- This study examined the effect of corporate compensation on the financial performance of listed non-financial companies in Nigeria, focusing on executive, employee, and non-executive pay. The library research design employed, using existing literature relating to corporate compensation and financial performance. Compensation variables include base salaries, bonuses, stock-based incentives, and other benefits, while financial performance is measured through return on equity, return on assets, and market-based indicators. The research was grounded in reinforcement, expectancy, and equity theories, which explained how well-structured remuneration systems can align interests, enhance motivation, and promote sustainable growth. The findings revealed distinct and joint effects of different compensation categories on firm performance, clarifying mixed evidence in prior studies.

I. INTRODUCTION

Across today's complex corporate settings, stakeholders around the world share a natural expectation that company will continue to record and report performance, steadily and sustainably. This expectation reflects more than just a desire for short-term financial gain; it underscores a belief in the perpetual growth and health of corporate entities, which ultimately benefits a wide network of stakeholders, from investors and employees to suppliers, customers, and local communities. Importantly, performance itself is no longer seen purely through the narrow lens of quarterly profits or stock prices. Instead, it now encompasses a broader spectrum that includes both financial and non-financial indicators, such as innovation, market reputation, employee satisfaction, and environmental stewardship (Sakha, 2022).

Non-financial firms, which include diverse sectors like manufacturing, services, retail, and technology, are particularly shaped by the human capital and operational excellence that define their competitive edge. Their ability to attract and sustain investor interest, whether from local markets or foreign investors, often depends on consistent and carefully managed growth. Such organizations are valued not only for their immediate returns but also for the capacity to reward those who have contributed to their long-term success, be it through capital, expertise, or strategic support (Vu et al., 2019).

Within this context, corporate compensation systems emerge as a critical tool in shaping performance. The structure and philosophy behind compensation, whether expressed through base salaries, variable bonuses, stock-based incentives, or non-financial rewards like professional development opportunities, can profoundly affect organizational outcomes (Kayani & Gan, 2022). This influence becomes even more significant when companies confront challenges such as declining profits, looming financial distress, or growing internal and external pressure over executive pay scales (Akinwumi, 2020; Keller & Olney, 2021). In contrast, thoughtfully crafted compensation strategies are often built on optimism: a belief in the potential for future growth and a desire to reinforce strategic objectives through motivated and committed teams (Lili & Loang, 2023).

The importance of fair and motivating compensation is hardly a modern insight. Over a century ago, management theorist Fayol (1916) famously argued that "well work deserves well pay. Though simple, this principle captures a powerful idea: that equitable remuneration is both recognition of contribution and a practical tool for inspiring greater effort, loyalty, and productivity. While Fayol's words were rooted in the industrial era, their relevance has endured, forming the ethical and strategic foundation upon which contemporary compensation systems continue to evolve. Non-financial firms often design multifaceted

compensation frameworks. These typically blend fixed salaries that provide income stability, performance-based bonuses aligned to individual and collective targets, equity participation schemes that link personal success to the firm's market value, and a variety of non-monetary benefits that reinforce employee commitment and satisfaction. Such systems aim not only to reward past performance but also to signal future expectations, fostering a culture where employee goals align closely with those of the organization (Godwin et al., 2017).

Agency theory suggests that properly structured incentives can help resolve the potential conflict of interest between managers, who might naturally prioritize personal benefits, and owners, whose focus lies in maximizing firm value (Meckling & Jensen, 1976). Equity theory highlights the central role of perceived fairness; employees who feel fairly compensated are more likely to remain motivated and engaged (Adams, 1965). Expectancy theory adds yet another layer, explaining that employees invest greater effort when they trust that their work will lead to outcomes they value (Vroom, 1964). The particular importance of compensation systems becomes clearer when looking at the defining characteristics of non-financial firms. Unlike heavily regulated financial institutions, non-financial firms often derive much of their value from intangible assets: innovative products, trusted brands, and skilled workforces. Consequently, compensation systems must be equally examined, aiming not just to control costs but to drive strategic priorities such as innovation, sustainability, and long-term competitiveness.

II. CONCEPTUAL REVIEW

2.1 Financial Performance

The financial performance reflects the extent to which these firms achieve profitability, operational efficiency, and value creation for shareholders. This performance is assessed using both accounting-based measures, such as return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share (EPS), and market-based indicators, including Tobin's Q, price-to-earnings ratio, and market capitalization growth (Fijabi et al., 2022). Well-designed governance and remuneration systems can align managerial and employee interests with organizational goals, thereby enhancing productivity and profitability (Wang & Ni, 2023).

2.2 Compensation

Compensation is broadly understood as the total reward that employees receive in exchange for their services to an organization. This typically includes several components such as base salary, bonuses, and stock-based compensation, each designed to serve distinct but complementary objectives in aligning employee and organizational interests. A base salary is a fixed amount of money paid to an employee by an employer in return for work done (Davis et al., 2022). It represents the largest component of the total compensation package for most employees, excluding other benefits provided by the employer (Adeusi, 2021). Unlike salaries for general employees, which are paid monthly or biweekly, executive salaries are typically set on an annual basis. According to Wu (2021), executive salaries are intentionally designed to motivate managers to enhance firm performance, thereby contributing to an increase in firm value. Base salaries not only serve as a guaranteed income but also act as a foundational incentive, supporting stability and commitment among executives and employees alike.

In addition to base salaries, organizations often use cash bonuses as performance-based incentives. These are awards given to managers upon achieving predetermined benchmarks (Singh et al., 2021). Omamo et al. (2022) described executive remuneration as a critical motivational tool, incorporating cash bonuses awarded in lump sum at the end of the operational year. Typically, the benchmarks for these bonuses are linked to accounting measures that directly reflect the executives' specific areas of responsibility. Bonuses incentivize executives to pursue strategic objectives aligned with shareholder interests, ultimately boosting both firm performance and personal gain. For instance, Omamo et al. (2022) argue that these bonuses encourage executives to focus on increasing shareholder value, which also benefits their own wealth. Yadav and Singh (2025) further observed that executive cash compensation (bonuses) shows a significant positive association with firm performance, underscoring its role as an effective short-term motivational tool.

Beyond immediate cash incentives, stock-based compensation has become increasingly popular as a strategic method to align the interests of executives and shareholders over the long term. Traditionally, firms have awarded stock options or restricted stock units to top management and key employees to reinforce shared goals (Emmanuel et al., 2017). The underlying idea is that granting equity directly ties executives' personal wealth to the company's stock performance, encouraging them to prioritize long-term shareholder value. Riyadh et al. (2022) suggest that managerial stock ownership not only motivates managers to improve firm performance but also deepens their commitment to the company's sustained growth. By bridging the gap between ownership and management, stock-based compensation helps mitigate agency problems that can arise when managers' personal objectives diverge from those of shareholders.

In summary, compensation strategies that combine base salaries, cash bonuses, and stock-based awards create a balanced approach to motivation. While base salaries offer security and stability (Davis et al., 2022; Adeusi, 2021), bonuses provide a dynamic, performance-driven incentive (Yadav & Singh, 2021; Omamo et al., 2022), and stock-based compensation promotes alignment with long-term shareholder interests (Emmanuel et al., 2017; Riyadh et al., 2022). Together, these elements form an integrated compensation system that not only attracts and retains talented leaders but also drives them to achieve both short-term operational excellence and sustainable firm growth.

III. REVIEW OF THEORIES

3.1 Reinforcement Theory

Reinforcement theory developed by Skinner in the 1950s and refined into organizational contexts by the 1960s, reinforcement theory is “rooted in the behavioral psychology principle that behavior is shaped by its consequences (Skinner, 1950; Gordan & Krishanan, 2014; Watters, 2021). In non-financial listed companies, reinforcement theory supports the design of bonus plans and commission-based systems. For executives, short-term cash bonuses linked to achieving quarterly or annual financial targets (revenue growth, cost control) directly reinforce behaviors that drive immediate financial performance (Joshi & Bisht, 2016; Watters, 2021) non-executive employees, it underpins incentive pay tied to production output or quality. The link between reward and measurable behavior helps ensure financial performance improvements are directly connected to employees’ and managers’ day-to-day actions. However, reinforcement theory can risk promoting short-termism if executives or staff focus too narrowly on bonus-linked metrics—potentially neglecting innovation or long-term strategy (Bogojević, 2024)

3.2 Expectancy Theory

Expectancy Theory formulated by Vroom in 1964, expectancy theory focuses on cognitive processes: employees evaluate whether putting in effort will lead to performance (expectancy), whether performance will lead to rewards (instrumentality), and whether those rewards matter to them (valence). In non-financial firms, expectancy theory highlights the importance of clarity and achievability of compensation systems. For executives, it implies that linking long-term incentives (like stock options or restricted stock) to clearly communicated strategic milestones increases motivation and aligns actions with shareholder value. Non-executives similarly respond when goals (like safety, customer satisfaction scores) are clearly tied to bonuses. If employees believe targets are unattainable—or if past effort hasn’t led to reward—their motivation, and therefore effect on financial performance, declines (Francisco, 2019). Properly structured, expectancy theory-driven compensation can boost financial performance by aligning perceived effort–reward links across all organizational levels.

3.3 Equity Theory

Equity Theory Proposed by Adams in 1963, equity theory argues employees compare their input–outcome ratios (effort vs. reward) to those of peers. Perceived inequity leads to tension, prompting efforts to restore balance—through reducing effort, seeking higher rewards, or even leaving the organization (Chanez & Guerrero, 2024). In non-financial companies, equity theory explains why internal pay fairness and external benchmarking matter. For executives, boards often use peer group comparisons to set CEO pay, aiming to prevent under- or overpayment that might harm morale and public image (Tanjung et al., 2022). For non-executives and employees, transparent salary bands and fairness reviews support retention and engagement. Perceived equity is linked to financial performance because fair pay practices reduce turnover, attract talent, and improve morale—factors shown to indirectly boost productivity and profitability.

Together, these frameworks guide compensation design in non-financial listed firms—balancing short-term operational targets with long-term strategic objectives, while maintaining fairness and credibility to maximize financial performance.

IV. EMPIRICAL REVIEW

4.1 Executive Compensation and Financial Performance

Abu-Ali et al. (2024) explored the linkages between executive compensation, sustainability—measured through ESG factors—and financial performance. Their work, based on a systematic review of 149 articles published between 2000 and early 2022, revealed that agency and stakeholder theories best explain the relationship between compensation and sustainability, as well as between sustainability and performance. Conversely, agency and tournament theories were found to be more relevant in understanding the relationship between compensation and performance. Overall, the majority of studies highlighted a positive influence of compensation on both sustainability and firm performance.

Mohammed et al. (2023) analyzed how executive compensation affects the financial performance of non-financial firms listed in Nigeria. Adopting a correlational design, the study examined a census sample of 63

listed firms, drawing on secondary data from annual financial reports and applying the generalized method of moments for analysis. Findings indicate that salary, bonuses, and stock-based compensation exert a negative impact on return on equity, while executive pensions positively influence return on equity.

Ahamed (2022) investigated CEO compensation and bank performance in Bangladesh from 2010 to 2020. The study considered return on equity alongside compensation elements such as salary, bonuses, housing facilities, allowances, and foreign trips. Employing a two-stage least squares (2SLS) estimator to address endogeneity, the results demonstrated a strong and significant positive relationship between CEO compensation packages and bank performance, suggesting that enhanced compensation motivates executives, boosts performance, and mitigates agency problems.

Ibrahim and Ahmed (2020) studied the impact of executive compensation and share ownership on the financial performance of listed Deposit Money Banks in Nigeria between 2007 and 2018. Proxies for executive compensation included CEO pay, chairman's compensation, and the remuneration of the highest-paid director, while executive share ownership was measured by the proportion of shares held. Net interest margin served as the financial performance indicator, with analysis conducted using Robust OLS regression via Stata 13. After performing robustness tests (normality, multicollinearity, and heteroscedasticity), the results showed that CEO pay significantly improves financial performance, whereas chairman's and highest-paid director's compensation exert negative effects. Additionally, increasing executive share ownership enhances banks' financial performance.

Dias et al. (2020) examined the relationship between executive compensation structures and firm performance in companies with high corporate governance standards listed on the Brazilian Stock Exchange. Using multiple correspondence analysis and hierarchical cluster analysis, they classified firms into three clusters based on fixed and variable compensation components. Robustness tests confirmed the typology, showing that firms strategically apply compensation incentives as governance mechanisms. The findings revealed a positive relationship between performance and variable (particularly long-term) incentives, while fixed compensation components negatively correlated with performance.

Zik-Rullahi et al. (2023) studied the moderating effect of human capital on the relationship between executive compensation and bank performance in Nigeria from 2008 to 2022. Utilizing a correlational design and panel regression with secondary data from banks' annual reports, the study was guided by pay-performance theory with net interest margin as the performance measure. Results indicated that the highest-paid director's compensation had a significant negative effect on bank performance, whereas total compensation exhibited a positive relationship. Notably, human capital negatively moderated the relationship between total compensation and bank performance.

Reddy (2023) compared CEO compensation dynamics between public sector and private sector publicly listed firms in New Zealand during 2005–2012. Applying descriptive statistics and OLS regression, the findings revealed that private sector CEOs receive higher remuneration packages than their public-sector counterparts. Likewise, Qiu and Mo (2020) examined how executive compensation structure and corporate social responsibility influence both short- and long-term financial performance, using panel data from 2,136 Chinese listed firms between 2015 and 2018. Their results showed that long-term compensation strategies positively affect long-term performance, while short-term compensation emphasis negatively impacts short-term performance.

Wang and Ni (2023) investigated the link between executive compensation and corporate financial performance within the framework of corporate governance. Using unbalanced panel data from 1,816 manufacturing firms listed on the Shanghai and Shenzhen A-shares between 2015 and 2019, the study applied hierarchical regression analysis. The findings revealed that executive compensation incentives positively influence corporate financial performance. However, the independence of the board of directors was found to negatively moderate this relationship. In contrast, board size and executive shareholding positively moderated the compensation–performance relationship. Interestingly, when these three governance mechanisms were combined, they collectively exerted a negative moderating effect on the relationship between executive compensation incentives and corporate performance.

Mansour et al. (2023) analyzed how executive compensation impacts the performance of Jordanian banks, an area previously underexplored. Employing empirical methods, the study focused on Return on Equity (ROE) and Tobin's Q as performance measures, with total compensation incentives serving as the key independent variable. Control factors included bank size, age, leverage, and the presence of female executives. Based on 196 bank-year observations spanning 2009–2022, the study utilized OLS, fixed effects, and GMM estimations. Results demonstrated a significant positive relationship between executive compensation and both accounting-based and market-based performance measures, confirming the agency theory perspective. Specifically, a one-unit rise in executive compensation corresponded to an increase of 22.8 cents in ROE and 29.51 cents in Tobin's Q. Control variables also showed positive effects: a unit increase in bank size, age, leverage, and female

executives resulted in adjustments of 26.1 cents, 16.6 cents, 2.07 cents, and 48.6 cents, respectively, in ROE, and 77.6 cents, 56.42 cents, 34.39 cents, and 48.8 cents, respectively, in Tobin's Q.

Albuquerque et al. (2025) explored the complexity of CEO compensation contracts, introducing a measure of contract complexity and documenting its substantial growth over time. The study identified that such complexity stems not only from efficient contracting needs but also from external pressures, including those from compensation consultants, institutional investors, proxy advisors, and benchmarking practices. These external drivers have become increasingly influential in recent years. The analysis showed that greater compensation complexity is associated with weaker future firm performance, largely due to decision-making challenges tied to information processing costs. However, this negative relationship was partly mitigated when contract performance metrics were more strongly correlated. The findings provide empirical support for concerns raised by investors and the media about excessive pay complexity and offer important insights for boards in designing effective CEO compensation packages.

4.2 Employee Compensation and Financial Performance

Umoh (2025) investigated how compensation packages influence the operational performance of consumer goods firms, with particular focus on directors' remuneration, employee salaries and wages, and benefit schemes, measured against Return on Assets (ROA). Using an ex-post facto research design, the study analyzed secondary data from Nestlé Nigeria's Annual Reports and Financial Statements covering 2014–2023. Employing advanced methods such as trend analysis, SWOT analysis, descriptive statistics, and multiple regression, the results revealed that compensation packages—including directors' pay and employee benefits—produced mixed outcomes but overall had an insignificant effect on Nestlé Nigeria Plc's operational performance (ROA) during the review period.

Sakha (2022) examined the relationship between employee compensation and financial performance using econometric, descriptive, correlational, and trend analyses. Employee compensation was assessed through staff expenses, while Return on Equity (ROE) and Return on Assets (ROA) served as measures of financial performance. The findings indicated that employee compensation positively influences financial performance, with a 1% increase in compensation raising ROA by 0.02 percentage points and ROE by 0.20 percentage points. Firm size was found to negatively affect financial performance, while revenue diversification had a positive effect. Similarly, a higher cost-to-income ratio reduced financial performance. The study recommended that BFIs invest in skill development and offer both monetary and non-monetary benefits to employees to discourage shirking and enhance competitiveness, while also focusing on boosting non-interest income and reducing interest-related expenses.

Craig et al. (2020) analyzed employee remuneration and firm performance in five Nigerian manufacturing companies with the highest asset base, covering the period 2009–2018. Using a non-experimental design and multiple regression to test three hypotheses, the study found a significant relationship between staff salaries, post-employment benefits, and profit after tax, with p-values of 0.0090 and 0.0006, respectively. However, staff cost was not significantly related to profit ($p = 0.8894$). Based on these findings, the study recommended that manufacturing firms strengthen staff training and retraining initiatives, particularly for management staff, to improve operational efficiency.

Mahssouni et al. (2022) assessed the impact of employee compensation and training on financial performance while examining the moderating effect of the COVID-19 pandemic. Using panel data from 103 Belgian pharmaceutical firms between 2012 and 2021, sourced from the Bureau Van Dijk database, the study applied the Generalized Method of Moments for robustness testing. Results indicated that the COVID-19 pandemic had a pronounced negative effect on financial performance. However, employee compensation and training emerged as significant determinants of firm performance, particularly during times of crisis. The study's contribution lies in showing how human resource-related factors play a crucial role in shaping performance indicators under different conditions, thereby guiding HR managers in making effective decisions during crises.

Kim and Jang (2020) investigated the impact of employee compensation on restaurant performance from both short- and long-term perspectives. Their findings indicated that higher employee compensation leads to immediate increases in revenue growth but reduces profitability in the short run. Conversely, over a longer period, increased compensation lowers revenue growth but enhances profitability. These outcomes suggest that restaurant firms can strategically use compensation as a management tool to boost short-term sales growth while ensuring sustainable long-term profit gains. The study further implied that firms may adopt gradual, continuous increments in employee pay to sustain high performance, provided such adjustments are accompanied by mechanisms that minimize shirking among overcompensated employees.

Abebe (2018) examined how compensation influences employee productivity in a food manufacturing company in Addis Ababa, using both descriptive and explanatory research designs. Relying on primary data and applying correlation and regression analyses, the study established that financial compensation significantly enhances employee productivity, whereas non-financial compensation had no meaningful effect. The research centered on

three main variables—financial compensation, non-financial compensation, and employee productivity—though it did not directly address corporate financial performance, as the focus was not on a listed company.

Obieze (2018) explored the effect of compensation management practices on employee performance, utilizing primary data and single regression analysis. The findings revealed that employee pay strongly influences performance, while allowances also exert a significant positive effect. Overall, compensation policies were shown to have a substantial impact on employee performance among bank employees. However, the study's scope was limited to financial institutions, focusing strictly on compensation management and employee performance rather than broader financial performance measures.

4.3 Non- Executive Compensation and Financial Performance

Akhtar and Ahmad (2025) analyzed the effect of compensation on firm performance using data from Fintech firms listed on the Chinese stock market between 2009 and 2022. Results from the GMM analysis showed that overall employee compensation positively influences firm profitability and sales growth. When compensation was disaggregated, executive (directors and managers) pay was found to significantly enhance profitability and growth, whereas non-executive (supervisors) compensation played a weaker role. Further analysis revealed that increasing the compensation of the topmost executive (Top-1) negatively affects firm performance, while raising pay for the top three executives (Top-3) provided more balanced effects. These findings were consistent across multiple performance indicators, including ROE, ROA, and Tobin's Q. The study concluded that raising overall executive pay benefits firm performance, but excessive compensation for the highest-paid individual or for non-executives may reduce investor returns in technology-driven firms. This provides important guidance for managers and investors in designing effective compensation strategies.

Ko et al. (2022), drawing on Taiwanese data where detailed employee compensation disclosure is mandatory, examined non-executive pay and its components. The study found a strong positive correlation between total non-executive compensation and firm performance. Specifically, fixed pay was negatively associated with performance, while variable pay showed a positive correlation. Moreover, the effects were more pronounced in companies with higher proportions of compensation categorized as selling, general, and administrative expenses. The findings suggest that non-executive compensation, particularly variable pay, plays a significant role in driving firm performance, carrying both policy and managerial implications.

Owusu et al. (2023) investigated the consequences of excluding stock options from non-executive director (NED) compensation on the pay-performance relationship. Focusing on both accounting and market performance, the study used a sample of 220 non-financial firms, with 110 listed on the Johannesburg Stock Exchange (treatment group) and 110 on alternative markets (control group), analyzed through a Difference-in-Differences (DID) regression model. The results indicated that removing stock options for NEDs significantly increased the value of executive performance-based pay, though this effect was not statistically significant for market-based measures. Additionally, executive ownership was found to positively and significantly influence executive compensation. Overall, the study highlighted the importance of alternative pay structures and the alignment of executive incentives with shareholder interests.

V. ISSUES ON CORPORATE COMPENSATION AND FINANCIAL PERFORMANCE

Although corporate compensation has been a major corporate governance mechanism to solve agency problems, it has become a problem itself. An improperly compensated employee can cost shareholders money and can produce an executive who lacks the incentive to increase profits and boost the share price (Mohammed et al., 2023). The importance of developing a compensation strategy that aligns the overall goals and growth objectives of the business with each employee and executive's personal financial gain can result in attracting and motivating great leaders cannot be overemphasized.

Due to the rising pay of CEO/Executive Compensation in developed countries, much attention has been focused in that direction unlike in Nigeria where executive compensation has received little attention seemingly because of the nature of this concept (Ahamed, 2022). In Nigeria, the most common types of executive compensation include cash salaries, bonuses, and allowances but with the continuous conflicting forces of the executives' desire to maximize their pay and the shareholders' penchant to maximize firm value, the debate over the existing nature of relationship between executive compensation and firms' performance is far from being over (Reddy, 2023).

The non-financial sector is the largest sector in Nigeria, driving the economic growth and development prospects of the country. This sector houses large industries such as the Agriculture, Conglomerate, Construction/Real Estate, Consumer Goods, Industrial Goods, ICT, Natural Resources, Oil & Gas, Health Care as well as Services Sector (NSE Report, 2020). The importance of the Non-financial sector to the developmental strides of Nigeria's economic performance is very significant as it stimulates employment generation, economic growth and also contributes to the country's Gross Domestic Product (GDP) (Muzata and Marozva 2022).

However, the continuous rise in compensation of executives in the sector without corresponding increase in firm performance, and the shareholders' wealth maximization objective, has continued to generate intense debates and controversies among corporate analysts and policy makers (Muzata & Marozva, 2022). This unfortunate trend can lead to bankruptcy and corporate collapses in the affected organizations, hence the need to empirically examine the effect of corporate compensation and financial performance of listed non-financial firms in Nigeria.

Previous empirical studies on corporate compensation and firm performance majorly focused on effect of executive corporate compensation on firm performance (Abu-Ali et al., 2024; Adeusi, 2021; Ibeawuchi, & Onuora, 2021; Ngu et al., 2022; Opuodu, et al., 2022; Sajnog & Rogońska-Pawelczyk, 2022) or effect of on CEO compensation and firm performance (Ahamed, 2022; Albuquerque et al., 2025; Omamo et al., 2022; Reddy, 2023; William, 2020) without considering effect of other corporate compensations such as other employees and non-executive compensation on firm performance. Only few studies examined other corporate compensations on firm performance (Craig et al., 2020; Mahssouni et al, 2022; Sakha, 2022; Umoh, 2025) and among these, they have continued to yield conflicting findings. While many of these studies have established a negative, weak and no relationship (Al- Azhary, 2022; Singh, 2021; Rath, 2020; Cieslak et al 2021; Jiang & Zhang, 2018), others have established positive and strong relationship (Ahamed, 2022; Omamo et al., 2022; Al-Shammari, 2021; Ma, 2021; Rehman et al, 2021; Wu, 2021).

Among these studies none has decomposed corporate compensation to executive compensation, employee compensation and non-executive compensation holistically to the researcher's best of knowledge. Based on these conflicting findings and identified gaps, this study therefore becomes imperative to further examine the effect of corporate compensation on financial performance of listed non-financial firms in Nigeria focusing on the effect of executive compensation, employee compensation and non-executive compensation on financial performance. Additionally, methodological analyses of studies conducted on the relationship between executive compensation and firm performance in Nigeria are sparsely available and have employed varying forms of statistical methods. However, there is evidence of dearth studies especially for Nigeria that used appropriate model to investigate effect of corporate compensation on financial performance of listed non-financial firms in Nigeria.

VI. CONCLUSION

In conclusion, reinforcement theory, expectancy theory, and equity theory—developed between the 1950s and 1960s—offer complementary perspectives on how compensation shapes motivation and firm performance in non-financial listed companies. Reinforcement theory supports bonuses and performance-based pay that directly incentivize short-term results; expectancy theory stresses the importance of clear, achievable links between effort, performance, and reward to sustain motivation over time; and equity theory highlights how perceived fairness in pay across executives, non-executives, and employees helps maintain morale and retention. Together, these theories guide firms to design balanced compensation systems—combining fixed salaries, bonuses, and stock-based incentives—that not only drive immediate financial outcomes but also align individual interests with long-term shareholder value and organizational stability.

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