

AN EMPIRICAL STUDY OF THE IMPACT OF COMPENSATION MANAGEMENT ON THE FINANCIAL PERFORMANCE OF ACCESS BANK NIGERIA PLC.

Isiaka Ahmed Bala, Yanda Alfa Mohammed, Mohammed Baba Umar and Tsoida Mustapha Aliyu

Department of Business Administration and Management, The Federal Polytechnic, Bida. Niger State
ishaqbala82@gmail.com

ABSTRACT

This study examines the relationship between compensation management and the financial performance of Access Bank Nigeria Plc over the period 2013–2025. The study adopts an ex post facto research design using secondary data derived from the bank's audited annual reports. Financial performance is proxied by Return on Assets (ROA), Return on Equity (ROE), and Total Assets, while compensation management is measured using retirement benefit obligations. The empirical analysis employs descriptive statistics, correlation analysis, and ordinary least squares (OLS) regression techniques. Findings reveal a positive and statistically significant relationship between retirement benefits and both ROA and ROE, indicating that improved compensation structures enhance profitability and shareholder value creation. However, the effect of retirement benefits on total assets is positive but statistically insignificant, suggesting limited influence on firm expansion. The study concludes that while compensation management significantly enhances financial performance, its effect on asset growth is weak. It is recommended that banks strengthen their compensation frameworks to enhance employee commitment and long-term financial performance.

Keywords: Compensation Management, ROA, ROE, Retirement Benefits, Financial Performance, Firm Size.

INTRODUCTION

Financial performance remains a central construct in corporate finance and strategic management; as it reflects the extent to which firms efficiently utilize resources to achieve profitability and shareholder wealth maximization (Brigham & Houston, 2022). It is commonly assessed using accounting-based indicators such as Return on Assets (ROA), Return on Equity (ROE), and total assets. ROA measures managerial efficiency in utilizing total assets to generate earnings, while ROE evaluates the return generated for shareholders based on equity investment (Ross et al., 2021). Total assets, on the other hand, reflect the firm's resource base and operational capacity, which often determines its expansion potential

According to Ethelmary, et al.,(2025), compensation management is seen as one of the most crucial and effective programs, particularly for the aim of boosting worker productivity. It is one of the most important tools that a company must pay close attention to. However, it lists the required wage and the potential benefits that employees might get in a certain position. It encompasses every aspect of planning and managing the financial worth that is given to employees in exchange for their labor. Adeoye (2019) describes it as a reward given to workers in a business for carrying out a certain task. Bob (2021) states that it involves evaluating pay, establishing

structures, values, competencies, productivity, skills, and the advantages that employees are likely to get. As a result, compensation management and administration in an organization includes non-monetary rewards as well as monetary payments that affect both intrinsic and extrinsic motivation in order to enhance employee performance. In conclusion, it is the most effective method for capturing employees' attention inside a business, particularly in terms of teaching them about possible attitudes and behaviors (Shell & Solomon, 2017). Inadequate employee benefits and pay will certainly result in poor productivity, which can result in absenteeism and unhappiness (Ethelmary et al.,2025). It's enough to state that there's a connection between the financial success of the business and that of its workforce. The capacity of an employee to accomplish defined goals or targets of assignments or tasks assigned to them within a certain time frame is what is meant by employee performance (Ethelmary, et al.,2025). The idea of performance, which often has several dimensions depending on the kind of company, may be seen as the extent to which particular goals or objectives are achieved. In terms of ideas, employee performance is assessed using variables like productivity, the customer satisfaction index, level of achievement, and target (Ogbogu, & Sadamoro, 2022). The primary measure of an employee's performance is the quantity and quality of work they produce in a specific period of time. (Rohrer & Putteril, 2015). Previous studies have shown a

strong link between staff performance and an organization's compensation management (Shin, Rong, & Chin-wei, 2012). In conclusion, a worker's performance is directly related to their technical knowledge, abilities, talents, interests, and efforts. Consequently, the contributions of higher-paid workers are seen as more valuable and significant than those of lower-paid workers. (Ogbogu & Sadamoro, 2022). A payment scheme that is both advantageous and fiercely competitive has a strong correlation with company growth and success (Mayson & Barret, 2006). For this reason, it is essential for any company looking to improve its financial situation or performance to give its pay structure significant thought. If the company wishes to keep a very productive workforce, the compensation plan should be based on performance-based pay.

Equity Theory (Adams, 1963) provides the theoretical foundation for this study. It argues that employees evaluate fairness by comparing their inputs and outputs relative to others. Perceived inequity in compensation may reduce motivation, whereas fair compensation enhances commitment and productivity. Aside this Retirement Benefits is one of the most significant factors that can influence financial performance of firms (Adams, 1963; Armstrong & Taylor, 2023). Scholars have argued that organizations must give considerable attention to employees' retirement benefits in order to reduce post-retirement anxiety, enhance commitment to organizational objectives, promote financial security, and improve the financial performance of firms. (Niwahabwe & Alex, 2025). It has also been argued that compensation management includes retirement benefits and pension schemes, which serve as important mechanisms for improving financial performance (Dessler, 2020; Samuel et al., 2022); Ethelmary et al., 2025).

Despite extensive literature, empirical evidence on the banking sector in Nigeria remains limited. Therefore, this study investigates the impact of retirement benefits on ROA, ROE, and total assets of Access Bank Nigeria Plc. (Niwahabwe & Alex, 2025; Dessler, 2020; Ethelmary et al., 2025).

An organization needs an efficient and effective compensation system if it hopes to compete effectively

with other related commercial entities. This is because it has a direct impact on the financial success of the company (Ugowe et al., 2025). The study aims to accomplish the following: (i) determine how Retirement Benefits impact Access Bank Nigeria Plc's return on assets; and (ii) analyze the correlation between Retirement Benefits and return on equity. (iii) To assess the effect of retirement benefits on Access Bank Nigeria Plc's overall assets.

METHODOLOGY

The study employed a quantitative time series research design to examine how Access Bank Nigeria Plc's Compensation Management affected its financial performance from 2013 to 2025. A time series data is employed because it is thought to be appropriate for a single business observation, which allows for the examination of dynamic changes in financial performance as well as specific organizational characteristics (Stella and Eno 2024; Colma & Tale 2024)

The study employed secondary data that was taken from 13 sets of annual observations found in Access Bank Nigeria Plc's audited annual reports and financial statement. A longitudinal research design was employed and Descriptive statistics, correlation and Regression analysis were used for the study. Although the sample size is rather small, this is due to the fact that company time series investigations frequently function within associated inadequacies and that econometric estimate and diagnostic testing are used to achieve technique reliability.

To reduce omitted variable bias and improve model robustness, the following control variables were included:

1. Firm Size (SIZE): natural logarithm of total assets,
2. Financial Leverage (LEV): total debt divided by total assets.

These variables are commonly used in corporate finance literature to control for macroeconomic and firm-specific influences on performance (Coad, et al., 2013; Majumdar, 1997).

Measurement and Operationalization of Variables:

The study employs ordinary least squares regression models of ROE and ROA as follows:

$$ROE_{it} = \beta_0 + \beta_1 RBit + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it} \quad (1)$$

$$ROAi = \beta_0 + \beta_1 RB_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it} \quad (2)$$

$$LogTotalAssets_{it} = \beta_0 + \beta_1 RB_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it} \quad (3)$$

The following are the measurement of the variables as they were used in the study.

Dependent variables.

ROA = Return on Assets (Financial Performance)

ROE = Return on Equity (Financial Performance)

TOTAL ASSETS = logarithm of total assets (Financial Performance)

Independent variables.

RB = Retirement Benefits Obligation

β_0 = Expected value on ROE, ROA and Total Assets

$SIZE_t$ = Firm size

LEV_t = Financial leverage

ε_t = error term

Table 1. Measurement of Variables and financial Data obtained from Annual reports of Access Bank Nigeria Plc.

S/N	YEARS	Retirement Benefits & Obligations (RB)	ROE = PAT/TOTAL EQUITY	ROA = PAT/TOTAL ASSETS	FIRMS SIZE = LOG. OF TOTAL ASSET (sz)
1	2013	-----	0.1488	0.0213	1,704,094,012
2	2014	3,267,364	0.1599	0.02168	1,981,955,730
3	2015	5,567,800	0.0482	0.0272	2,411,944,061
4	2016	3,064,597	0.1572	0.0231	3,094,960,515
5	2017	2,481,916	0.1103	0.01467	3,499,583,979
6	2018	2,319,707	0.16696	0.0185	3,968,114,609
7	2019	3,418,060	0.1299	0.01111	6,307,588,216
8	2020	4,584,149	0.1224	0.01049	7,624,979,718
9	2021	3,845,942	0.1300	0.0115	9,660,760,559
10	2022	3,244,000	0.1559	0.0133	12,535,280
11	2023	8,480,000	0.3497	0.0259	20,649,112
12	2024	1,559,000	0.0765	0.0059	27,681,603
13	2025	11,121,00	0.0582	0.0045	25,435,262

RESULT AND DISCUSSIONS

Table 2. Analysis on Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Equity (PAT/Total Equity)	13	.0482	.3497	.139535	.0743106
Return on Assets (PAT/Total Assets)	13	.0045	.0272	.016088	.0074061
Lsize	13	16.34	22.99	20.4526	2.55869
LRB	12	13.92	15.95	14.9601	.54142
Valid N (listwise)	12				

This study investigated on the relationship between compensation management proxies by Retirements benefits (RB) and financial performance of Access Bank Nigeria Plc from 2013-2025. Descriptive statistics result shows that Retirement Benefits is positively and significantly related to financial performance of firms. Overall, the data suggest potential linkage between compensation practices and financial performance

Table 3. Analysis on Correlation analysis

Correlations

		Return on Equity (PAT/Total Equity)	Return on Assets (PAT/Total Assets)	LRB
Return on Equity (PAT/Total Equity)	Pearson Correlation	1	.480	.596*
	Sig. (2-tailed)		.097	.041
	N	13	13	12
Return on Assets (PAT/Total Assets)	Pearson Correlation	.480	1	.697*
	Sig. (2-tailed)	.097		.012
	N	13	13	12
LRB	Pearson Correlation	.596*	.697*	1
	Sig. (2-tailed)	.041	.012	
	N	12	12	12

* Correlation is significant at the 0.05 level (2-tailed).

The analysis of correlation results also indicated that RBs are significantly and positively related with both Return on Assets (ROA) ($r = 0.697$, $p < 0.05$) and Return on Equity (ROE) ($r = 0.596$, $p < 0.05$), which means that an increase in compensation related obligations automatically and proportionately associated with increased in financial

performance. This implies that increases in retirement benefit obligations are associated with improved financial performance indicators, supporting the view that compensation enhances employee productivity, organizational efficiency or financial Performance (Adams, 1963; Armstrong & Taylor, 2023).

Table 4. Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.693 ^a	.481	.365	.0617924

a. Predictors: (Constant), LRB, Lsize

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.032	2	.016	4.165	.052 ^b
	Residual	.034	9	.004		
	Total	.066	11			

a. Dependent Variable: Return on Equity (PAT/Total Equity)

b. Predictors: (Constant), LRB, Lsize

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.095	.516		-2.122	.063
	Lsize	-.011	.007	-.363	-1.475	.174
	LRB	.097	.035	.676	2.746	.023

a. Dependent Variable: Return on Equity (PAT/Total Equity)

The analysis of regression also supports the above results which indicated that RBs is positive and statistically significant on ROA ($\beta = 0.010$, $p = 0.012$; $R^2 = 0.485$) and ROE ($\beta = 0.085$, $p = 0.041$; $R^2 = 0.355$).

Furthermore, the influence of retirement benefits on firm's size is positive but with statistically insignificant relationship with ($\beta = 1.087$, $p = 0.490$). While, the result of multiple regression results with firm size as control variable also depicted that RBs remains to be major or significant predictor of ROE ($\beta = 0.097$, $p = 0.023$), though, firm size does not depict any significance influence on financial performance,

The main findings include:

1. Retirement benefits positively and significantly influence ROE ($\beta = 0.097$, $p = 0.023$)
2. Firm size shows a negative but insignificant effect on ROE
3. Model significance is marginal ($F = 4.165$, $p = 0.052$)
4. Although firm size is not statistically significant, retirement benefits remain a strong predictor of financial performance, reinforcing the strategic importance of compensation management.

These findings align with Armstrong and Taylor (2023), who argue that effective compensation systems enhance employee motivation and organizational performance. The analysis of the result suggest that compensation management is critical and essential for enhance financial performance, although, it does not significantly affect firm's growth and expansions

CONCLUSION AND RECOMMENDATIONS

The study concludes that retirement benefits have a statistically significant positive effect on ROA and ROE, but an insignificant effect on total assets. Thus, compensation management plays a critical role in enhancing financial performance but has limited influence on asset growth.

- i. Banks should strengthen compensation structures to enhance employee commitment and productivity.
- ii. Competitive retirement benefit schemes should be maintained to improve staff retention.
- iii. Performance-based compensation systems should be implemented to reward productivity.
- iv. Employees demonstrating high performance should be regularly rewarded to sustain motivation.

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