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Executive perks and performance of quoted consumer goods firms in Nigeria

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ABSTRACT: This study examined the effect of executive perks on performance of quoted consumer goods firms in Nigeria using secondary data obtained from the annual reports of such firms. A sample of (15) selected consumer goods firms were used for the period of 10years spanning 2010 to 2019. The study was predicated on Ex-post facto and longitudinal research design and used secondary data for the analysis. Four objectives and hypotheses were formulated to guide this study. The data collected were analyzed using descriptive statistics, Correlation Matrix and Panel Least Square regression. The result revealed that social cost and health care cost have positive and significant effect on performance of consumer goods firms which was statistically significant at 1% and 5% level of significant respectively while a negative and insignificant relationship was documented against executive perks in form of staff loan and performance of Nigerian consumer goods firms. The finding shows that about 41.7% approximately of the system variation in performance of consumer goods firms were jointly explained by all the independent variables of our sampled firms over the 10 years period while about 58.3% of the total variations were unaccounted for, hence captured by the stochastic error term. The study therefore recommends among others that consumer goods firms should pay attention to social cost and healthcare cost in order to boost the morale of both the management and the staff and should not do executive perks activities only when they have made extra normal profit. Rather it should be approached from humanitarian perspective knowing that there are also financial benefits accruable from these expenditures. In addition, consumer goods firms should be mindful of the fact that they owe duty of care to employee and not only the business owners. They should dearth from parochial objective of only owners' welfare.

KEYWORDS: Executive perks, profitability, social cost, healthcare cost, bonus/commission, staff loan cost and Nigeria consumer goods firms.

1 BACKGROUND OF THE STUDY

One of the major components of corporate governance role that can determine the success of the company is the employee remuneration policy. Employee remuneration has been a potent device that can mitigate managerial opportunistic behavior and reduce the principal-agent problem (Conyon, 1998). The principal-agent relationship is one which enshrined the separation of ownership from control in firms. The agent employed the managers in order to carry out the day to day operation and control of the firms' resources on their behalf. However, the manager most often have agenda different from that of the principal, hence they indulge in opportunistic behavior that serves their own interests and not necessarily those of their employer (owners), in line with this, Marris (1963 as cited in Amess & Drake 2003) opine that managers because of power, prestige and residual benefit, might want to build empire and increase the size of the firm. Pay package has been a means by which principal seek to create financial incentives for managers to reduce their opportunistic behaviour. The pay package of employee is set by the board, however, company profitability and quest for profitability, has vital role in determining the pay package.

Perks are benefits received from the firm by the employee. Perks can be monetary and non monetary, they extensively improve managerial utility and may thus serve as a potential incentive for reducing managerial opportunistic behaviors. They

provide strong incentives for employee to work hard for promotion especially those in the managerial position by widening the compensation gap between high and low-level positions (Amess & Drake 2003). Dyl (1988) opine that managers, as the agents of the owners, would not act in line with the interest of the owners if their interests are not fully aligned. This widen the agency problem, but the study of Bryant and Davis (2012), has argued that the agency problems can be controlled by giving of incentives to managers, as agents, to act in line with the interests of the company. Most principal adopt the use of perks to motivate their agent to higher performance because of the tax implication of perks.

However, the extent which perks influences the performance of firms has not been empirically established in the context of developing nation like Nigeria. Nevertheless, the aim of every firm is to maximize the wealth of their owners; this can be achieved when the resources of the firm are effectively utilized by the management (agent of the owners) whose aim is to maximize their personal gain at the expense of the owners. It is believed that the goals of agent can be aligned with that of the principal by incentives (perks), but the extent to which those perks motivate and enhance their performance toward achieving the overall corporate performance is yet to be established empirically. The relationship between executive perks and performance of corporate organization has attracted much attention especially from economists in the past two decades yet most academic work on executive perks has been concentrated on a few developed countries such as the U.S. U.K. and the China, for instance Amess and Drake, (2003), Ensen and Murphy (1990), Zhang, Song and Ding (2014), Adilhipyangkul, Alon and Zhang (2009), mainly due to data availability. Omoregie and Kilikuhme did a similar work on banking sector. Despite the importance of performance induce behaviour toward the achievement of organizational goals, empirical study(s) are scarce in this area especially in Nigeria context. To conduct empirical research on this area, the effect of executive perks on form performance was done using listed consumer goods firms in Nigeria. Therefore, this paper evaluates the effect of executive perks on performance of quoted consumer goods firms in Nigeria using social cost, employee health and safety cost, bonus/commission and staff loans cost as proxy to measure executive perks while return on assets is used to proxy performance.

2 THEORETICAL CONSTRUCTS AND HYPOTHESES DEVELOPMENT

2.1 EXECUTIVE PERKS AND FIRM PERFORMANCE

Executive Perk, are forms of compensation offered to employees by the board. These range from the use of an executive expensive car to a giant corner office and country club memberships. Implied in the definition is that the perk is not strictly necessary for the accomplishment of the employee's duties (scheduled commercial flights are available or the executive only works out of a small portion of the office). Perks gives a clear sign that the firm has a free cash flow problem with more cash than it knows how to spend (Jensen, 1986), so excessive perks are typically only the tip of an iceberg of wasteful corporate practices such as overinvestment and lax management. Hart (2001) defines perks as non-pecuniary benefits such as fancy offices, private jets, the easy life, etc that are attractive to management but are of no interest to shareholders—in fact they reduce firm value. Moreover, it is reasonable to assume that they are inefficient in the sense that one dollar of perks reduces firm value by more than a dollar. Conceptually, perks as private benefits implies that the financial cost of the perk exceeds the associated productivity gain. Perks as private benefits are distinct from pecuniary forms of compensation in that they are not transferable (or difficult to transfer). Perks are usually tax-free, and are thus associated with lower marginal tax rates for both the firms and the employee. This makes perks an attractive alternative. On the supply side, Oyer (2008) believe that the cost of the perks is lower for firms than for employees, if the perks items were bought by the firm in bulk thereby enjoying tax shields (Rajan & Wulf 2006). This made the use of perks popular with both employees and employers.

Bloom (2005) argued, compensation systems play important social and symbolic roles in organizations, and thus affect a variety of important organizational outcomes such as the nature of work relationships, employee commitment, and performance. As an important component of compensation systems, perks can act as an incentive for managers and thus benefit the firm. If perks are tool to enhance the performance of employee then perks can be used to improve productivity then there should be a strong positive relationship between perks and the level of performance. Fama (1980) implies that perk incentives and cash incentives are substitutes in the sense that more perk incentives will be introduced if cash compensation cannot sufficiently motivate executives to higher performance. Additional incentive mechanisms, such as perks, may be needed when the executive is under-paid in cash. Perks represent significant managerial benefits received from the firm. Similar to formal cash compensation, they can extensively improve managerial utility and may thus serve as a potential incentive for several reasons. First, because the value of perks is positively associated with managers' ordinal rankings in the organizational hierarchy, perks provide strong incentives for managers to work hard for promotion by widening the compensation gap between high and low-level positions (Lazear & Rosen 1981). As Bloom (2005) argued, compensation systems play important social and symbolic roles in organizations, and thus affect a variety of important organizational outcomes such as the nature

of work relationships, employee commitment, and performance. As an important component of compensation systems, perks can act as an incentive for managers and thus benefit the firm.

2.2 SOCIAL COST AND FIRM PERFORMANCE

Social wages can be defined as pension and retirement benefits, injuries, insurance for illnesses, accidents, medical benefits, disabilities and unemployment, maternity benefits, and other collective benefits which includes subsidized accommodations, child care, transportation and recreational activities Chow, 1992).Costs which enterprises incurred above the ordinary cost of the business are called social cost. In business enterprises that recruit employees, social costs include the following: extra training, supervision, and support that help individuals with significant hurdles to be employed successfully. Incurring social costs in a business enterprise cannot be considered as an accident. Business enterprises are established with an objective of making profit and such ventures generally cost extra money. Many of these social costs found within the business are as follows: cost incurred result of lower level of productivity among employees, increased materials wastage, time spent addressing personal issues of employees, time spent by employees with job counselors, higher insurance rates paid for certain employees, additional management and supervisory costs, increased employee turnover. Social cost varies with each business organization and depends on the actual objective of the business. Costs attributable to the training of employees can start working are classifies as social cost. Other social costs emerge from the relationship of the staff with the organization which is social cost includes: meetings to align services and policies, presentations made by business managers to the board of directors, several trips taken the manager in respect to the daily responsibilities of managing the business. Nevertheless, considering the contradicting theoretical argument, this paper does not predict any sign for the quantum of social cost but propose that ***there is a significant relation between the social cost and performance of firms (Hypothesis 1).***

2.3 EMPLOYEE HEALTH, SAFETY COST AND FIRM PERFORMANCE

Health must have the inculcate of safety measures, consistent high quality, and environmentally friendly processes, working practices and systemic activities that eradicate or minimize the risk of harm to people, operators, or patients in general. A healthy system is that which comprises shared values and beliefs relating to health and safety which create behavioral norms as well as direction which guides people towards health and safety activities in the enterprise' (Kaluza *et al.*, 2012). Safety entails originating deliberate and organized efforts and procedures for identifying workplace hazards as well as minimizing accidents and risk to harmful situations and objects. It also involves getting personnel trained on accident prevention, critical accident response, immediate emergency preparedness, and use of protective clothing and equipment. Safety system is an organizational safety culture that affects members' attitudes and behavior in relation to her ongoing health and safety performance (Cooper, 2000).

Employees are the most valuable asset of every company as they can make or break a company's reputation and can adversely affect profitability. Employees often are responsible for the great bulk of necessary work to be done as well as customer satisfaction and the quality of products and events. Without proper care on employees the feelings that their welfare is been neglected will a strong motivation for dysfunction attitude toward their work, this will negatively affect the productivity of the firms hence their performance will drop. Although the benefits of effective Health and safety management have been well documented (Pollitt, 2011), some organizations especially those in developing countries like Nigeria still aim at maintaining or increasing productivity and profitability at the expense of employee health and safety thereby reducing employee job performance. A combination of other interlinked factors emerged as being more influential in driving the health and safety agenda in most organizations , including: avoidance or reduction of liability claims; potential legal exposure; concern over the cost of industrial premiums; external pressures from industrial companies; maintenance of corporate image and reputation; customer and client expectations; government targets; moral obligations; staff morale; absence, recruitment and retention, and impact on productivity, efficiency and quality of service delivery. However, it was generally acknowledged that health and safety failures might ultimately impact on the financial performance of an organization through any of these higher level factors (Haefeli, Haslam & Haslam; 2005). As a matter of fact, drawing on the above discussion and prior studies' findings, this study does not wish to predict any sign for employee health and safety cost, instead we hypothesize tha***t there is a significant relationship between employee health, safety cost and firm performance (Hypothesis 2).***

2.4 BONUSES, COMMISSION AND FIRM PERFORMANCE

Bonus can be defined as a plan which provides a strong incentive for people to reach the quota or target. However, it also makes them to reduce their efforts after achieving the said target. Commission on the other part is a plan design to provide incentive to keep people working hard even after reaching the set target. Oyer (1998) and Jensen (2003) x-rays these insights

through model assistance to emphasize that bonuses encourage salespeople to manipulate the job orders timing such as delayed selling, forward selling etc. Employees in some organizations earn incentive based on performance. Additional wages which are not part of wages or salary of employees are referred to as Bonuses and commissions. Employee or salesperson earns bonuses and commissions when they certain criteria, which ranges from sales to other performance or profitability metrics. Sometimes situations arise which generate disputes regarding the bonus or commission agreement. This dispute may be based on the agreement or commission plan or may be implied based on non-written agreement. Commission agreements, must be in writing and contains employees' specific requests and these requests are included by employers as bonus and commission plan in a written document. Bonus, either discretionary (up to the employer) or non-discretionary (based on objective criteria) affects the legal rules that apply. Nonpayment of incentives in form of unpaid wages viewed as same offence under the law as hourly wages. The implication of this is that If any employee earned any bonus under the terms and conditions of the incentive plan, such employee is entitled to receive it in a good time. However, there are some inconsistencies that existed in the literature, for this reason, the current study does not intend to propose any sign, rather ***we hypothesize that there are significant relation between Bonuses, Commission and firm performance (Hypothesis 3).***

2.5 STAFF LOANS COST AND FIRM PERFORMANCE

Employer's empathy toward employees who need financial assistance which the employee are meant to be repaid is referred to as employee loans. These loans usually commands employee loyalty and creates conduciveness in overall workplace engagement. Employee loans are viewed by employers as the proper way to financial security and employee retention strategies. International Foundation of Employee Benefit Plans survey conducted in 2016 considered the common types of financial stresses employees may cause an employee to request for staff loan to include: saving for retirement, saving or paying for children's education, covering basic living expenses, paying for medical expenses and so on. Where the employer is not will or could not help employees' resort to options that could be have dismal effect on the company. According to the American Management Association, options available for the employees where employee loan fails include consumer financing from credit cards, overdraft fees and so on

Considering the above, it seems like employee loans are easy to come by but this is no case. Several policies are put in place to ascertain employee that are qualified for staff loan and such policies entails the following: Tax implication of such loan on the organisation as lending money to employees may spell additional taxes for a company where such loans are not carried out properly. For staff loan to be availed, loan terms and conditions must be clearly stated. Common conditions include: interest rate on the loan, tenor of the loan, the loan amount, repayment conditions, penalty for nonpayment and others. Where the loans are not structured properly it may result to penalties for default or tax obligations. The negative effect may extend to being charged with illegal act if the loan is not structured right way. In handling staff loan repayment, employers can treat loan deductions as an advance to an employee especially when it is expected that the employee is to repay the advance. However, in situations where the employee doesn't repay the loan, the employers treat it as income.

It is important to have a proper understanding of all that is involved in staff loan else it will attribute to unavoidable cost to the organization. In granting loans generally, there is not 100% certainty that the loan will paid back. Most staff members delve into loan acquisition even when they do not have a defined way of paying back. It therefore lies on the employer to ensure that the staff has capability of repaying the loan amount he is requesting for.

3 THEORETICAL FRAMEWORK

There are many relevant theories that can be used to explain the relationship between executive perks and firm performance. These includes: marginal productivity theory, efficiency wage theory, human capital theory, opportunity cost theory, superstar theory, agency theory etc. Hence, this paper was anchored on the agency theory.

AGENCY THEORY

One of the theoretical principles underlining the relationship between the shareholder (principal and the director (agent) is the agency theory developed by Jensen and Meckling in 1976. Investors have surplus funds to invest but due to technical constraints such as inadequate capital and managerial expertise to manage the funds, employ the services of managers to invest their funds in profitable ventures to generate good returns and the managers rewarded for their service. Agency problem however arise due to the separation of ownership from management and the differences in interest between the shareholder and the manager they employed. Thus agency problem as described by Jensen and Meckling (1976) occur when there is a divergent in interest between the shareholder and the manager, the manager tend to pursue different agenda other than the one set by the shareholder, this may come in form of funds expropriation by manager inform of perks like expensive vehicles,

expensive holiday, travelling allowances, chuffers, etc. As a result of the interest of the opportunistic, self-interested managers, there was an agency loss which is the extent to which returns to the residual claimants, the owners fall below what they would be if the owners, exercised direct control over the company (Jensen & Meckling, 1976). Due to their personal interest, managers tend to focus on the perks that can advance their aim even if it at the expense of the shareholder. Managers can embark on asset stripping and later buy lower asset provided they will make cash for themselves.

4 EMPIRICAL REVIEW

In a similar study carried out by Hall and Liebman (1998) using the panel data collected from manufacturing companies between 1980s and 1990s. The study adopted the descriptive design and used the correlation analysis. The study used cash and stock compensation as proxy for executive compensation. The study finds that compensation appears to be driven more by firm performance. The study observed that the use of executive stock options directly affect the level of firm performance.

Chiu, Luk, and Tang (2002) examine the effect of executive compensation on the productivity of employee in China. The study was based on ex-post facto and used regression analysis. The study proxy non cash compensation provided for employees at all levels was subsidized meals, accommodations, holiday or entertainment facilities, annual leave, paid maternity leave, paid compassionate leave, health industrial, overtime allowance, illness allowance, and transportation allowance. The study finds that some executive perks has significant impact on performance while meals, holiday or entertainment facilities has weak positive effect on the performance of firms.

On the other hand, the study of Anderson and Bizjak (2003) examine the effect of executive perks on firm performance. The study used pay data collected from 50 chief executive officers who are members of compensation committees of board of director. The study found that chief executive officers who sat on their own compensation committees received less overall compensation and had very high stock ownership. These committees were actually doing more, according to the study, to link executive pay to performance than the control sample.

Amess and Drake (2003) examine the relationship that exist between executive remuneration and performance of mutual building societies between the period of 1991and 1996. The study used the highest paid director, mean Board remuneration, and the Chairperson of the Board as proxy for executive remuneration while two measures of performance are employed: profitability and the change in total factor productivity (TFP). The study adopts the descriptive design and used correlation analysis. The study finds a strong positive relationship between profitability and pay. The study also finds a weak relationship between pay and change in total factor productivity is for all three measures of executive remuneration. Also, firm size and the executive remuneration have positive relationship.

Kato and Long (2004) adopting panel data (1998 to 2002) approach while examining the relationship that exists between executive compensation, firm performance, and state ownership of firms in China. The finding from the study shows a statistical significant relationship exist between employee compensation and shareholder value among firms in China. The size of compensation is estimated to have positive relationship with shareholder value. The study also finds that state ownership has weak impact of executive pay on firm performance. Finally, study find that growth in sales significantly affect the level of executive compensation.

Takao and Cheryl **(**2005) examine the relationship between executive compensation and firm performance among firms quoted in China. The study adopted the ex-post facto design and used data collected from China's listed firms between 1998 and 2002. The study finds a statistically significant relationship between cash compensation (salary and bonus) for top executives and shareholder value of firms in China. The study also finds that sales growth has direct relationship with executive compensation; Ownership structure has direct impact on pay performance relationship among these firms.

Raghuram, Rajana, and Wulf, (2005) examines the impact of perks on the growth of firms. A widespread view is that executive perks exemplify agency problems, they are a route through which managers misappropriate a firm's surplus. The study adopted the descriptive design. The study shows that firms with high free cash flow, operating in industries with limited investment prospects, offer more perks than firms with less free cash flow and limited growth prospect. The study observed that perks enhance managerial productivity. On the overall level of perks, the findings suggest that treating perks purely as managerial excess is incorrect.

Oyer (2006) uses a simple model of productivity enhancing benefits to show that a benefit will be provided more frequently the more it lowers an employee's cost of effort, and he finds support for this prediction using data on company provided meals. However, Oyer does not consider formal incentive contracts, which limits the potential insights from his model.

Oyer (2006) examine the impact of executive perks on the performance of firms United Kingdom. The study used data collected from 120 firms, the panel data collected were analyzed using regression analysis and correlation analysis. The study

observed that the most common perks used were company car, entertainment, housing allowance, travel expenses, business gifts, and business apparel expenses. The study found that work related perks such as company car housing allowance and entertainment have direct impact on the performance of firms in United Kingdom.

Marinoa and Zábojník (2006) examines the effects of work-related perks on the employee incentive contract. The study characterized perks by its complementarities ability to improve the tradeoff between incentives and performance. The study adopted the descriptive design and used compensation index. Their result shows that firms' decisions about how much autonomy they should grant to their employees and about optimal perk determine the employee performance and sense of security. The finding therefore indicates that perks has direct effect on the level of firm performance.

Sigler (2011) examines the relationship of chief executive officer pay and the level of firm performance using data collected from 280 firms quoted on the New York Stock Exchange between 2006 and 2009. The study finds a positive and significant relationship between chief executive officer compensation and company performance measured by return on equity. The size of the firm appears to be the most significant factor in determining the level of chief executive officer compensation, according to the results, and the tenure of the chief executive officer is another significant variable. The study also finds that growth in profit has direct effect on the firm performance.

De Wet (2013) examined the impact of executive perks on the performance of firms in South Africa. The study collected data from 30 top chief executive officers was analyzed using correlation analysis. The study proxy firm performance with economic value added (EVA) and market value added (MVA). The study finds a positive significant effect on firm performance in South Africa.

Adithipyangkul, Alon and Zhang (2014) examined chief executive officer's compensation and the performance of firms quoted in China. The study focused on the impact that chief executive officer's perk compensation has on their performance. The study observed that perks serve two roles among quoted firms in China which includes providing incentives to deter managerial shirking and facilitating work and improve production. The study was based on ex-post facto design and use correlation analysis of the firms selected using the stratified sample method. The study finds that perks are positively associated with current and future performance (returns on assets). Supporting the argument that some types of perks directly improve firm profitability while others are not, the study finds that perks are tool to incentivize managers, even after controlling for firm fundamentals, such as firm size, growth opportunity, and leverage.

Zhang, Song and Ding (2014) examine the factors that drives managerial perks using data collected from Chinese listed companies. The study adopted the content design and used correlation analysis for the data collected from the quoted companies in Chinese. The study observed that the commonly accepted view of perks suggests that they are misuse of firm resources for managers' private benefit, and thus perk consumption is unethical. However, an alternative view argues that perks can motivate managers to work hard and thus add to the value of the firm (incentive view): from this perspective, perk consumption is an ethical form of behavior. The fundamental difference between the two positions has critical implications for practice, and this article tests these competing views to determine the circumstances in which one view dominates the other. The study finds that perk consumption is driven by firms characteristics like size, profit, and growth.

Kennedy (2015) evaluates the impact of compensation practices on financial performance: a content analysis approach. A total of 130 companies executive compensation policies were examined, compensation variables, statistical methods and also the main findings of the researchers. Results were mixed and varied, ranging from positive to negative and in some cases with no result, inconsistent, often contradictory and statistically insignificant in relationship. Findings suggested that 52% studies of selected sampled perks show positive relations and the rest 48% still remaining with negative mix or no relationship. The study finds compensation policies directly affect employee commitment and performance of firm.

Amarou Yamina and Bensaid Mohamed (2017) examine the impact of firm performance on executive perks among quoted firms in France. The study used data collected from a sample of 90 in 2004. The aim of the study was to examine whether there is a significant link between the overall executive compensation and corporate performance. The study findings shows a direct relationship exist between executive compensation and the level of performance. The study finds that the pay of executive increases with increase of financial performance. The grant of options to executive is directly associated with the level of financial performance of the enterprise level.

Kirsten and Toit (2018) examine the relationship that exists between the performance-based remuneration of executive directors and the financial performance of companies quoted in South African. The study design was quantitative and made use of a Pearson correlation and generalised least squares regression for the data collected from companies under the consumer goods and services industry of the Johannesburg Stock Exchange (JSE) from 2006 to 2015. The study findings showed that executive director remuneration is not directly related with the level of profitability or company size, as was the case in

some earlier studies. The study also finds direct relationship between executive director remuneration and share performance of consumer goods and services industry in Johannesburg South Africa.

5 METHODOLOGY

This paper adopted the ex post facto research design because the researcher intends to determine the cause and effect relationship between the dependent and the independent variable using the data that already existed and the researcher made no attempt to change its nature and values. As an ex-post facto design that involves quantitative approach, the study intends to use secondary data that was collected from fifteen quoted consumer goods firms in ten years between 2010 and 2019. It is worthy to note that 15 consumer goods firms were selected due to availability of data.

The secondary data collected was analyzed using descriptive statistics, correlation and regression analysis.

The variables were operationalized as follows.

Table 1. Variables & measures

Variables	*Measures*	*Prior studies where inspiration was drawn from*
Dependent variable		
Firm performance (ROA)	*EBIT / total asset*	*Orjinta and Onuorah (2017),*
Independent variables		
Social Cost (SOCOST)	*Pension/gratuity cost/ total operating cost*	*Sjoerd, Nasser and Jolanda (2011) Amess and Drake (2003)*
Health and safety cost (HECOST)	*Health and safety cost / total operating cost*	*Richard (2014) Ifurueze et al (2013),*
Bonus/Commission (BONUS)	*Bonus/Commission / total operating cost*	*Ifurueze et al (2013), Amess and Drake (2003)*
Staff Loan (LOANS)	*Staff loan / total debtor*	*Sjoerd, Nasser and Jolanda (2011) Amess and Drake (2003)*

Source: Researchers' conception (2020)

MODEL SPECIFICATION

The model for the study is premised on the main objective and anchored on the sub-objectives. The model used was adopted from the work of Richard (2014) and modified to suite the mediating variables used in this study. The model of Richard (2014) is specified as follows: ROA= (EXECOM, HEALTHCOST, ENTER, LUXURY).

The model was modified to suit our objective as follow

$$ROA = f(SOCOST, BONUS, HECOST, LOANS) \quad (1)$$

This can be econometrically express as

$$ROA_{it} = d_0 + d_1SOCOST_{it} + d_2HECOST_{it} + d_3BONUS_{it} + d_4LOANS_{it} + \mu_{it} \quad (2)$$

Equation 1 is the linear regression model used in testing the null hypotheses. Where:

ROA = Return on assets
SOCOST = Social Cost
HECOST = Health Care Cost
BONUS = Bonus/Commission
LOANS = Staff Loan
d_0 = Constant; d_1… d_4 = are the coefficient of the regression equation.
μ = Error term
i= is the cross section of firms used
t = is year (time series)

6 DATA PRESENTATION, ANALYSIS AND INTEPRETATION

This study used panel data and adopted the ordinary least square regressions analysis to identify the possible effects of executive perks on the performance of quoted consumer goods companies in Nigeria. The study however conducted some preliminary analysis such as descriptive statistics, correlation analysis.

6.1.1 DESCRIPTIVE STATISTICS

The descriptive statistics result shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and the Jarque-Bera (JB) statistics (normality test). Table 2 below, provides the summary of the descriptive statistics of the sampled quoted consumer goods firms in Nigeria selected for the study. The detail result of the descriptive statistics is present in table 3.

Table 2. Summary of the descriptive statistics of the data covering the period of five years (2010 – 2019)

	ROA	*SOCOST*	*HECOST*	*BONUS*	*LOANS*
Mean	*0.653840*	*0.286171*	*0.073533*	*0.141693*	*0.195173*
Median	*0.640000*	*0.273000*	*0.077000*	*0.130000*	*0.170000*
Maximum	*1.540000*	*1.230000*	*0.122000*	*0.410000*	*0.550000*
Minimum	*0.200000*	*0.036000*	*0.013000*	*0.009000*	*0.013000*
Std. Dev.	*0.218218*	*0.169204*	*0.023017*	*0.071566*	*0.104621*
Jarque-Bera	*122.8429*	*881.8210*	*9.563972*	*24.76909*	*7.854324*
Probability	*0.000000*	*0.000000*	*0.008379*	*0.000004*	*0.019700*

Source: Researcher's idea (2020)

The study observed from the descriptive statistics result that the selected firms have average performance of 0.654, the maximum and minimum value of 1.54 and 0.200 respectively. This reveals that the industries used have positive performance over the period of the study.

Social cost has a mean value of 0.286, maximum values 1.230 and minimum values are 0.036 respectively. The large difference between the mean, maximum and minimum value shows that in some sampled firm, staff social cost fluctuates highly. Health cost; the result reveals that in most of the firms used in the study, employee health cost is low while in other they are relatively high. The result also indicates that employee bonus/ commission is the third following employee salary loan and social cost. Bonus/commission has as mean value of 0.142, maximum value of 0.410 and minimum value of 0.009. The large difference between maximum and the mean value shows only few firms give much premium to bonus/ commission as a incentive scheme.

Staff loan has an average of value of 0.195, maximum value of 0.550, and minimum value of 0.013 respectively. The result shows that on the average, staff loan is more the second among the perks compensation scheme.

Lastly, the Jarque – Bera (JB) which test for normality shows that firm performance, social cost, staff loan, bonus / commission, and employee health cost are normally distributed and the distribution is at 1% significance level. The result means that all the explanatory variables are normally distributed, hence no presence of outlier.

CORRELATION ANALYSIS

Table 3. Result of the descriptive statistics

	ROA	SOCOST	HECOST	BONUS	LOANS
ROA	1.000000				
SOCOST	0.042279	1.000000			
HECOST	0.051315	-0.140626	1.000000		
BONUS	0.191794	0.017117	0.213674	1.000000	
LOANS	0.070019	0.160491	-0.019125	0.185670	1.000000

From the result above, the study observed that return on asset has a positive relationship with executive perks relating to social cost, health care cost, and bonus/commission and staff loan.

This indicates that the higher amount incurred on executive perks relating to social cost, health care cost, bonus/commission and staff loan, the better the performance of the industrial when measured using return on asset. When consumer goods companies incurred more money on social cost, health cost, bonus and commission as well as staff loans, the higher the performance of the consumer goods companies.

In checking for multi-co linearity the study observed that no two explanatory variables were perfectly correlated. This indicates the absence of multi-colinearity problem in the model used for the analysis and also justifies the use of the ordinary least square.

6.2 Regression Analysis and Discussion of Findings

6.2.1 Return on Asset Model

Fixed and Random Effect Test

The summary result of multiple regression analysis is presented below. However, the study takes into cognizance the heterogeneous nature of the data, hence the need for testing its effect on the data. The study therefore used Hausman effect test to select between fixed and random effect that is best to be adopted in the study.

Table 4. Summary of the Hausman test result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.276631	4	0.8653

Decision rule:

H0 – Random effect is more preferable than fixed effect

H1 – Fixed effect is more preferable to random effect

When chi-square probability value is less than 10 – reject H0 and accept H1

When chi-square probability value is greater than 10 – accept H0 and reject H1.

The Hausman test result shows a chi-square value of 1.276631 and probability value 0.8653, the chi-square probability value is greater than 10. Based on the result, the study accepts the random effect and reject the fixed effect, hence we use the random effect to correct the problem of homogeneity in the panel data used for the study. Table 5 below is the summary of the regression result adjusted for fixed effect.

Table 5. Regression analysis

Cross-section random effects test equation:
Dependent Variable: ROA
Method: Panel Least Squares
Date: 12/24/19 Time: 23:00
Sample: 2010 -2019
Periods included: 10
Cross-sections included: 15
Total panel (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.573654	0.118643	4.835127	0.0000
SOCOST	3.069229	0.157266	19.51616	0.0000
HECOST	5.604743	2.313168	2.422972	0.0269
BONUS	0.351340	0.381467	0.921025	0.3610
LOANS	-0.173571	0.274234	-0.632928	0.5294
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.416515	Mean dependent var		0.653840
Adjusted R-squared	0.388966	S.D. dependent var		0.218218
S.E. of regression	0.191614	Akaike info criterion		-0.252136
Sum squared resid	2.056094	Schwarz criterion		0.334961
Log likelihood	28.45511	Hannan-Quinn criter.		-0.017715
F-statistic	2.220836	Durbin-Watson stat		1.895516
Prob(F-statistic)	0.011988			

Source: Researchers summary (2020).

The analysis of the Return on Assets (ROA) model shows an R-sq of 0.4167 and R-sq (adj) 0.3889 respectively. The R-sq (adj) 0.388 (38.8%) value indicates that Executive perks can explain about 38.8% changes in Return on assets (performance) of consumer goods firms used in the study. That is, about 38.8% changes in Return on assets of consumer goods firms can be attributable to the level of Executive perks. The F-statistics value of 2.221, and its probability value of 0.000, shows that the return on assets regression model is well specified and the specification is statistically significant at 1% levels. The Durbin Watson value reveals that there is no presence of autocorrelation in our model.

Hypotheses 1: Social cost has no significant effect on the performance of quoted consumer goods firms in Nigeria.

The analysis result of the models shows a coefficient value of 3.06 and a P-value of 0.00 for Return on Assets model. The positive coefficient value shows that Social Cost has positive influence on Return on assets of listed consumer goods firms in Nigeria. This indicates that higher Social Cost can lead to better performance of consumer goods firms when measured using the Return on Assets. The probability value of 0.00 shows that the effect of social cost on the performance of industrial goods companies measured using the Return on Assets is statistically significant. Based on the analysis result, the study rejects the null hypothesis and accepts the alternate hypothesis. It therefore concludes that, Social cost has effect on the performance of listed consumer goods firms in Nigeria.

Hypotheses 2: Employee Healthcare cost has no significant effect on corporate performance

The analysis result of the effect of healthcare on the corporate performance proxy by Return on Assets shows a coefficient value of 5.605 and a P-value of 0.02. The positive coefficient value shows that healthcare has positive influence on the level of corporate performance (proxy by Return on Asset). This indicates that the more listed industrial companies spend money in the form of healthcare cost of the employee the higher the performance of the companies. The probability value indicates that expenditure in the form of Employee health care cost has significant effect on the performance of banks measured by the return on Assets. Based on the analysis result, the study accepts the alternate hypothesis and rejects the null hypothesis. It therefore concludes that, healthcare cost has significant effect on the performance (Return on Assets) of consumer goods companies in Nigeria.

Hypotheses 3: Bonus/Commission has no significant effect on corporate performance

The analysis result of the effect of Bonus/Commission on corporate performance of listed consumer goods companies in Nigeria proxy by Return on Assets model shows a coefficient value of 0.351340 and p-value of 0.3610. The positive coefficient value reveals that employee Bonus/Commission has positive effect on the level of corporate performance of listed consumer goods firms in Nigeria (proxy by Return on Assets). This means that the higher the level of expenditure on employee Bonus/Commission the higher the performance of listed consumer goods firms in Nigeria will tend to be. However, the probability value p-value of 0.3610 for Return on Assets reveals that the positive effect is statistically insignificant. That is, though employee bonus/commission has positive effect on the level of performance of listed consumer goods firms, the effect is not strong enough to cause major changes to the performance of listed consumer goods firms in Nigeria. Based on the analysis result, the study rejects the null hypothesis and accepts the alternate hypothesis. It therefore concludes that, expenditure on employee bonus/commission has no significant effect on the performance (Return on Assets) of listed consumer goods firms in Nigeria.

Hypotheses 4: Staff loan cost has no significant effect on performance of listed consumer goods firms in Nigeria.

The analysis result of the effect of Staff loan cost on performance of listed consumer goods firms in Nigeria proxy by Return on Assets model shows a coefficient value of -0.173571 and P-value of 0.5294. The coefficient value of the model reveals that Staff loan cost has a negative effect on the level of corporate performance of listed consumer goods firms in Nigeria (proxy by Return on Assets). This means that the higher the level of Staff loan cost the lower the performance of listed consumer goods firms in Nigeria. However, the probability value of the model shows that the effect of Staff loan cost on the performance of quoted consumer goods firms in Nigeria is statistically insignificant. Thus, though Staff loan cost has negative effect on the level of performance of listed consumer goods firms in Nigeria, the effect is not strong enough to drive/ cause a major change in the performance of listed consumer goods firms in Nigeria. Based on the analysis result, the study accepts the null hypothesis and rejects the alternate hypothesis. It therefore concludes that, Staff loan cost has no significant effect on the performance (Return on Assets) of listed consumer goods firms in Nigeria.

7 CONCLUSIONS AND RECOMMENDATIONS

The study examines the effect executive perks on performance of listed industrial companies in Nigeria. The study reveals that about between 38.8% changes in performance of listed consumer goods companies can be attributable to level of executive perks. This shows that executive perks have positive effect on the performance of listed consumer goods companies in Nigeria. From the above findings it is clear that executive perks through social cost, and healthcare has significant effect on returns of consumer goods companies in Nigeria while executive perks through employee staff loan as well as bonus and commission has no significant impact on the profitability of listed consumer goods companies in Nigeria. This result shows that the expenditures in the area of social cost as well as healthcare will stimulate patronage that would positively impact on the returns available to the owners of these companies.

RECOMMENDATION

Following the above findings, the following suggestions are proffered as the way forward:

- Companies should not do executive perks activities only when they have made extra normal profit. Rather it should be approached from humanitarian perspective knowing that there are also financial benefits accruable from these expenditures.
- Companies should be mindful of the fact that they owe duty of care to employee and not only the business owners. They should dearth from parochial objective of only owners' welfare.
- Government should take care of the provision of basic amenities such that cost of executive perks doing business will be reduced so that companies would be able to spend on executive perks without affecting the interest of owners of the business.
- Finally, a further study that would use aggregate date of all the companies in Nigeria is recommended such that the outcome of this study can be confirmed or otherwise.

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