A COMPARISON ANALYSIS OF CEO COMPENSATION RELATED TO SHAREHOLDERS VALUE: SOUTH AFRICA VERSUS CHINA HOLDING BANKS

Student: Danchen Meng

Student number: 3513242

A thesis submitted to the University of the Western Cape

in partial fulfillment of the requirements for the degree of

MASTER OF COMMERCE in Finance

School of Business and Finance

Faculty of Economic & Management Sciences

University of the Western Cape

Supervisor: Dr Rene Albertus

Date: August 2020

ABSTRACT

CEO's compensation, as a global management problem, has been a matter of continuing argument in Western economies, over the last two decades. However, the relationship between CEO compensation and firm performance is still weak, resulting in the CEO overpaid problem being more severe, since the financial turmoil experienced in 2008. The purpose of this study was to investigate whether firm performance justifies CEO remuneration, by comparing South African and Chinese stock-holding banks. The motivation for this study was to understand the correlation between CEO remuneration and the value they added to shareholders. It was anticipated that the results would contribute to exploring whether CEOs were overpaid for what they produced, and help companies to adjust their compensation frameworks.

The researcher employed a quantitative approach to ascertain compensation alignment with firm performance. The sample for this current research, from which the data were collected consisted of ten (10) banking institutions (5 South African and 5 Chinese). The findings for the South African banks revealed that the CEO's remuneration was positively and significantly related to the firm performance; however, the strength of the relationship showed a declining tendency. Additionally, the non-apparent relationship between CEO compensation and firm performance for Chinese banks, indicated the weakness of the pay-performance structure in China. This result may help companies and shareholders to adjust the existing management system, and standardize executives' responsibilities that would reduce, and avoid many enterprise management loopholes, while improving the development of the nation's economy, and attracting foreign investors.

KEY WORDS

CEO compensation

CEO remuneration

China

Firm performance

Returns to shareholders

South Africa.

ABBREVIATIONS

BRICS – Brazil, Russia, India, China and South Africa

CEO – Chief executive officer

CFPS – China Family Panel Studies

CIB – China Industrial Bank

CMB – China Merchants Bank

CMBC – China Minsheng Bank

CNCB – China CITIC Bank

CSR – Corporate Social Responsibility

FNB – First National Bank

GDP – Gross domestic product

GEAR – Growth, Employment and Redistribution

JSE – Johannesburg Stock Exchange

LTI – Long-term incentive

MLR – Multiple linear regression

MOF – Chinese Ministry of Finance

NOPAT – Net operating profit after tax

OLS – Ordinary least squares

PAS – Performance Appraisal System

ROA – Return on assets

ROE – Return on equity

SAA – South African Airways

SD – Standard deviation

SOE – State-owned entity

SPDB – Shanghai Pudong Development Bank

SPSS – Statistical Package for the Social Science Programme

SSE – Shanghai Stock Exchange

STI – Short-term incentive

SZSE – Shenzhen Stock Exchange

TSR – Total shareholder returns

UK – The United Kingdom

USA – The United States of America

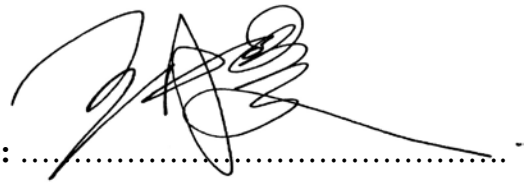
DECLARATION

I declare that the study *"A Comparison Analysis of CEO Compensation Related to Shareholders Value: South Africa Versus China Holding Banks"* is my own work, and that all the resources I have used, or quoted, have been indicated and acknowledged by complete references.

I further declare that this study has not been submitted for any degree or examination in any other university.

Student: Danchen Meng

Date: August 2020

Signature: 

ACKNOWLEDGEMENTS

I would like to express my sincere appreciation to the following people, without whose support and encouragement, I would not have had the chance to complete this research:

- First of all, my parents, who brought me into this world and gave me the opportunity to study.
- My supervisor, Dr Rene Albertus, deserves my sincere gratitude for her assistance, for accepting me as her student, for always being patient with me, and for sharing her experience with me.
- Miss Pumla Nohaji, thanks for her time helping me with the requirements of the thesis.

Thank you!

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1. Motivation for the study

The CEO's compensation, as a global management problem, has been a matter of continuing argument in Western economies (Kato & Kubo, 2006). Over the past two decades, specifically after the collapse of Enron and WorldCom, unlike in Western economies, this topic has been ignored in most of developing countries (Singh & Agarwal, 2003). However, the influence of the CEO's compensation has attracted the attention of global company shareholders, especially after the Lehman brothers' company declared bankruptcy, and the Merrill Lynch acquisition case, in the 2008 global financial crisis (Shim & Kim, 2015; Luo & Jackson, 2012). The debate, therefore, concerns whether executives are paid too much, and whether their compensation is connected to the value they add (Bezuidenhout, 2016).

Similar to the economic impact experienced elsewhere in the world, the South African economy has been severely hit, as the yield in the mining industry declined by 33% in the 2008 financial crisis (Marais, 2009). As a result, the South African government started to realise the significance of the director's remuneration structure, and the former president, Jacob Zuma, appealed to executives, directors, and CEOs in the private sector, as well as senior executives in the public sector, to consent to discontinue increases in bonuses and fixed compensations, for the following year (Zuma, 2012). Ever since, corporate shareholders in South Africa, as well, have started to realise the significance of the structure of the director's remuneration (Viviers, 2015).

As early as 2000 and 2004, the large remuneration packages of executives have attracted attention in China (Wei, 2000; Mengistae & Xu, 2004). In 2009, the Chinese Ministry of Finance (MOF, 2009) drew up a remuneration governance notification for state-owned

businesses. The aim of this notification was to set up a Performance Appraisal System (PAS) to determine CEO remuneration adjustments that were commensurate with the annual foundation levels. As a PAS pilot project, financial institutions have been updated with a set of articles of association, as well as detailed regulations for bank performance evaluation by the Chinese Ministry of Finance, at the end of 2009 (Lin & Zhang, 2009).

A survey reveals that, unlike other countries, which were experiencing economic downturn, especially the 2008 global financial crisis, with reduced export rates, China has maintained a comparable rate of increase, during the crisis period, exceeding other large economies with a 10% GDP growth in 2010 (Li, Willett, & Zhang 2012). Zhou, Georgakopoulos, Sotiropoulos, and Vasileiou (2011) state that the attention paid to CEO compensation, and the Performance Appraisal System regulations, could be the reason that China maintained a comparative rate of increase, during the 2018 financial crisis period.

The motivation of this current research was to explore whether the high remunerations offered to the executive directors have added value to the shareholders, and whether the expanding gap between the compensation of the CEO and common staff members, is fair and reasonable, by comparing South African and Chinese holding banks. In addition, the researcher intends to provide recommendations to South African corporate shareholders on ways of reducing the effects of the South African recessionary economy, as well as offer advice to Chinese private stock-holding companies (especially banking sectors) regarding the remuneration structure of their executives.

1.2. Background to the study

The main content of this section provides an overview of the background of the study.

1.2.1. The political landscape and economy of China and South Africa

China and South Africa are both developing states, and part of the association of five

emerging national economies (Brazil, Russia, India, China & South Africa), referred to by the acronym, BRICS. However, as the biggest mixed economy countries in Asia and Africa, the political structures in China and South Africa are slightly different. In this section, the researcher discusses the Chinese and South African political and economic situations.

China was a socialist country, with a planned economy, and the Chinese government had the absolute power to control and adjust the market and business growth cycle. Therefore, state owned enterprises (SOEs) emerged as required. The Chinese government allocated the goods and services to individuals by subordinate state owned enterprises. This increased the security for Chinese economic development, and simultaneously, limited the speed of economic development. Consequently, in 1992, the Chinese Communists stated that the new goal of China was to set up a socialist market economy with Chinese Characteristics. However, even though China has transferred from a planned economy to a market economy, the socialist (central government) control of factors, remains of great importance (Chow, 2018). This new economic model not only improved the speed of economic development, but also ensured economic development safety (Virmani, 2005). According the Table 1.1, the top five biggest enterprises in China are state owned, and they all perform well on the world stage; therefore, it is evident that the goal of the government is to drive the development of private enterprises, by state owned enterprises. In addition, Zhou, Georgakopoulos, Sotiropoulos, and Vasileiou (2011) assert that the regulations for the economic management issued by the government could be the reason that China survived the financial crisis.

South Africa is a parliamentary republic, has a mixed capitalist market economy, as the guideline, supplemented by government intervention. In 1996, the Minister of Finance presented the GEAR strategy, which is Growth, Employment and Redistribution. One

of the three policy themes within GEAR was to free up markets and allowed the prices to be determined by supply and demand. In addition, the Minister of Finance proposed to free up the market by privatising some state-owned companies (Roux, 2017). Although the GEAR strategy was not reacting well in the short term, it provided the feasibility for future development and growth (Roux, 2017).

Feltham (2016) reported that, during the presidency of Mr Jacob Zuma, the number, as well as the role of state owned enterprises, have been increased by the government. However, the state lacked the expertise to operate companies. Many state owned enterprises have solicited large subsidies from the government, because of poor operation and large losses, for example, the SAA that has received approximately US$2.25 billion government subsidies over the past two decades (Businesstech staff writer, 2019). According to Table 1.1 (Fortune, 2018), the top five enterprises in South Africa were privately owned (only Sasol has a 27% share-holding by the government). Evidently, although the government increased the number, as well as the role of state-owned enterprises, they still performed less than satisfactorily.

Table 1.1: Top 5 companies in China and South Africa

Top 5 company In China (all values in US$ millions)

RANK IN FORTUNE 500	NAME	REVENUES($M)	PROFITS($M)	ASSETS($M)	OWNERSHIP
2	State Grid	$348,903	$9,533.40	$585,278	State-owned
3	Sinopec Group	$326,953	$1,537.80	$346,544.50	State-owned
4	China National Petroleum	$326,008	$-690.50	$629,410.50	State-owned
23	China State Construction Engineering	$156,071	$2,675.20	$239,680.90	State-owned
26	Industrial & Bank of China	$153,021	$42,323.70	$4,005,995.50	State-owned

Top 5 company In South Africa (all values in US$ millions)

RANK IN FORTUNE 500	NAME	REVENUES($M)	PROFITS($M)	ASSETS($M)	OWNERSHIP
376	Standard Bank Group	$9,600	$2,000.00	$163,800	Privately-owned
470	FirstRand	$6,700	$1,900.00	$104,300.00	Privately-owned
509	Sasol	$13,200	$1,400.00	$32,900.00	27.3% state-owned
531	Naspers	$6,200	$3,500.00	$24,100.00	Privately-owned
702	Sanlam	$8,900	$821.00	$58,700.00	Privately-owned

Resource: Fortune (2018)

1.2.2. Financial Crisis and Executive Remuneration

In September 2008, the financial crisis commenced in America, and rapidly spread throughout the world (Kannan & Koehler-Geib, 2009). The financial crisis caused the soaring prices of food and crude oil on the international market, and most industries have been affected (Investopedia, 2020). Similar to other countries, the South African economy has been affected negatively by the financial crisis. The price of gold had depreciated radically to nearly half-price, from US$1030 at the start of 2008, to US$750 in the last quarter (Peel, 2008), and approximately 1 million jobs were lost (Brothwell, 2020). The unemployment rate rose to 25%, and the GDP growth rate dropped dramatically, from 6.4 percent in the first quarter of 2009, to 2.8 percent in the last quarter (Rena & Msoni, 2014).

The failure in corporate governance has been perceived as one of the main causal factors of the 2008 crisis, with executives' remuneration being a direct factor to affect corporate governance (Kirkpatrick, 2009). To overcome the Great Financial Depression, the Chinese Ministry of Finance (MOF, 2009) drew up a remuneration governance notification to enhance management effectiveness. In South Africa, the King III Report on corporate governance (King, Engelbrecht, Katz, & Ramalho, 2009) clarified the meaning of effective and ethical leadership. In addition, the King IV Report on corporate governance (King Committee on Corporate Governance & King, 2016) stated that the remuneration and performance-related elements must be disclosed by companies. The King IV Report on corporate governance (King Committee on Corporate Governance & King, 2016) also suggested that the accountability of executive directors to shareholders could be promoted by the compensation policy. The remuneration packages of executives considered in this current study are fixed salaries, pensions, perquisites, bonuses, and employee benefits paid to directors. The dividends, returns, and surplus that the executives earn, as owners of shares of the company, are not included, due to shortage of data furnished by some banks in their annual reports.

1.3. Problem Statement

The South African economy is confronted with a crisis, illustrated by the depreciation of the Rand, and the technical recession. However, the collapse that organisations are facing, caused by an unconscionable compensation structure, will devastate the South African economy further (Bezuidenhout, 2016). In contrast, China has already become the world's largest trading country, after the 30 years of explosive growth, driven by the Chinese Ministry of Finance. In the third quarter of 2018, the Gross Domestic Product (GDP) growth rate in China grew 6.5%, year-on-year (Amadeo, 2019). However, the issue of unequal income in the private enterprises followed the rapid development of the economy, as well as the excessive gap between the rich and the poor, which currently, has become a serious problem facing Chinese society (Leng, Fu, & Xu, 2015). According to the survey conducted by the China Family Panel Studies [CFPS] (Leng et al., 2015), the top 1% of households in China owned approximately one-third of the nation's wealth, while the bottom 25% of households owned only about 1%. Chinese policy-makers, therefore, have an urgent task of establishing a way to reduce income inequality, which would involve adjusting the salary structure of executives and employees, while maintaining the high growth rate of GDP.

1.4. Research Questions

The major research question in this current study is:

"Is there a relationship between CEO compensation and shareholders value for the Chinese and South African banking industry?"

The following detailed questions and sub-questions will be used as a guide to the research process.

1.4.1. Question 1

Is there a correlation between CEO compensation and shareholders value in the banking sector of South Africa, for the period of 2007 to 2018?

- ***Sub-question 1.1:*** Is there a correlation between CEO remuneration and Return on Equity in the South African banking industry, for the period 2007 to 2018?
- ***Sub-question 1.2:*** Is there a correlation between CEO remuneration and Return on Asset in the South African banking industry, for the period 2007 to 2018?
- ***Sub-question 1.3:*** Is there a correlation between CEO remuneration and Total shareholder return in the South African banking industry, for the period 2007 to 2018?
- ***Sub-question 1.4:*** Is there a correlation between CEO remuneration and Net Operating Profit after Tax in the banking industry of South Africa, for the period 2007 to 2018?

1.4.2. Question 2

Is there a correlation between CEO remuneration and returns to shareholders for the Chinese banking sector, for the period of 2007 to 2018?

- ***Sub-question 2.1:*** Is there a correlation between CEO remuneration and Return on Equity in the Chinese banking industry, for the period 2007 to 2018?
- ***Sub-question 2.2:*** Is there a correlation between CEO remuneration and Return on Asset in the Chinese banking industry, for the period 2007 to 2018?
- ***Sub-question 2.3:*** Is there a correlation between CEO remuneration and Total shareholder return in the Chinese banking industry, for the period 2007 to 2018?
- ***Sub-question 2.4:*** Is there a correlation between CEO compensation and Net Operating Profit after Tax in the Chinese banking industry, for the period 2007 to 2018?

1.4.3. Question 3

Did the relationship between CEO remuneration and returns to shareholders change, over the period of 2007 to 2018?

- ***Sub-question 3.1:*** Did the relationship between CEO remuneration and returns to shareholders change in the South African banking sector, over the period 2007 to 2018?
- ***Sub-question 3.2:*** Did the relationship between CEO remuneration and returns to shareholders change in the Chinese banking sector, over the period 2007 to 2018?

1.4.4. Question 4

Does the strength of the relationship between CEO remuneration and returns to shareholders transform before (2007), during (2008-2009), and after the global financial crisis?

- ***Sub-question 4.1:*** The transformation of the correlation between CEO compensation and returns to shareholders in the South African banking industry before, during, and after the 2008 global financial crisis?
- ***Sub-question 4.2:*** The transformation of the correlation between CEO compensation and returns to shareholders in the Chinese banking industry before, during and after the 2008 global financial crisis?

1.4.5. Question 5

Can the companies from South Africa and China overcome their predicaments, by adjusting the CEO compensation structure?

- ***Sub-question 5.1:*** How does a South African company overcome the predicaments brought by the recession, in terms of adjusting the CEO compensation structure?
- ***Sub-question 5.2:*** How do Chinese companies overcome the predicaments brought by the big wealth gap, in terms of adjusting the CEO compensation structure?

1.5. Hypothesis

The null hypothesis for this current research is:

- H0: CEO remunerations are not aligned to shareholder wealth creation.

The alternative hypothesis is proposed:

- H1: CEO remunerations and shareholders' value are positively correlated.
- H2: CEO remunerations and shareholders' value are negatively correlated.

1.6. Research Aim and Objective

The aim of this current study, therefore, is to ascertain whether the executive's remuneration and company performance has a correlation, and is justified. The objective is to evaluate whether the performance of the companies and income inequality could be improved by adjusting CEO remunerations, and comparing South African and Chinese holding banks.

1.7. Significance and benefits of the study

CEO remuneration has always been the trending topic in Western economies; however, it had become a concern to economists and the media in developed countries for a long time, as it is a significant system of governance to track, discipline, and stimulate managers (Bezuidenhout, 2016). The attention on the correlation between executive compensation and returns to shareholders was insufficient in South Africa (Bezuidenhout, 2016). After the collapse of Enron and WorldCom, as well as the 2018 financial crisis, a continuing controversy ensues in the case of whether the CEO's performance is worth what s/he received from the company, and could executives' goals and interests somehow be aligned with shareholders' (Nicola, Giuseppe, Martina, & Giuseppe, 2016).

The imbalance between South Africa's director compensations have been attacked by the public, government, commerce, and academia (Bezuidenhout, 2016). According to the statement reported by the South African Country Review of Collective Bargaining

(2010/2011, p. 34), the average annual compensation for a CEO was R10 227 997 in 2010. According to a rough calculation, a low-salaried employee would have to work 255 years to earn this R10 million, and raises the question of whether the CEO's performance is worth the high remuneration s/he receives from the company. The relationship between executive remuneration and returns to shareholders is, therefore, a crucial task for South African economists.

The international common index for measuring income inequality is the Gini coefficient. The range of the Gini coefficient is from 0 to 1; a higher index indicating more income inequality, with 0.4 being perceived as the warning cordon (Fu, 2018, see Appendix A for the English translation). By 2017, the Gini coefficient in China reached 0.467, which had increased by 0.5% in three years (Fu, 2018). According to Fu's (2018) report, the personal disposable income for the top 20% of households in China, was nearly equal to the total personal disposable income of the other 80% in 2016 (see Figure 1.1). The income inequality issue, and the rationality problem of director compensation, therefore, becomes a huge challenge for the Chinese economy.

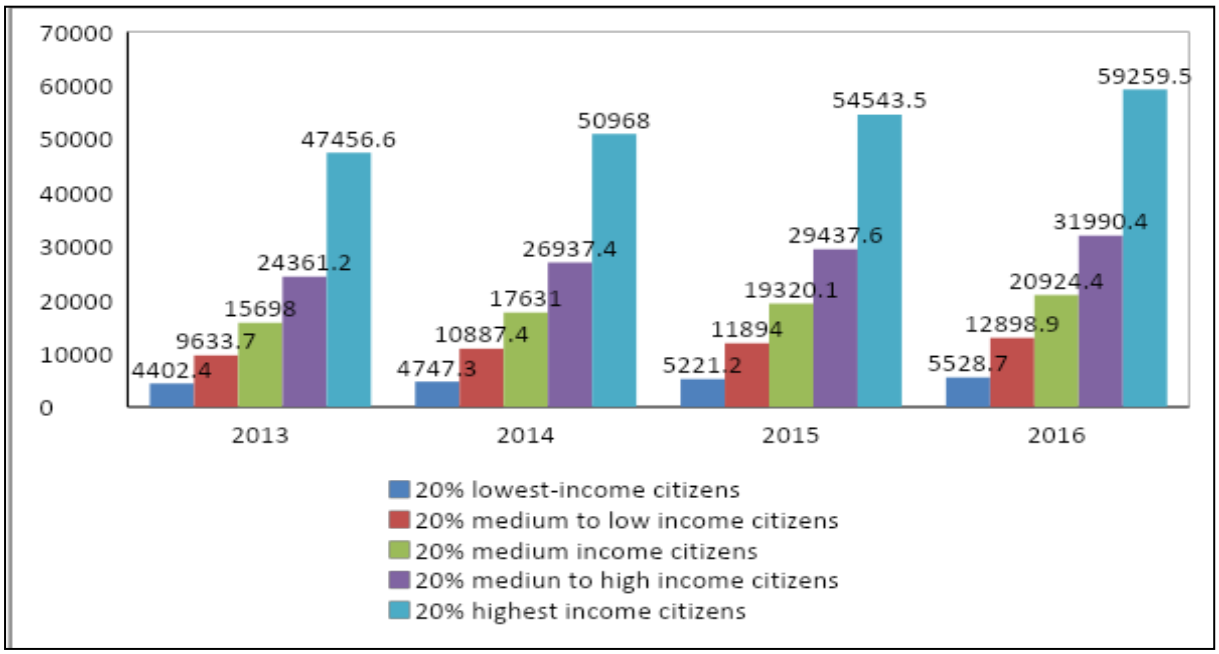


Figure 1.1: Personal disposable income table in China

Resource: National Bureau of Statistics of China [NBoSoC] (2017).

From a rational perspective, three valuable contributions would be added to the research on the correlation between executive compensation and shareholder value of the correlation research. Firstly, unlike the research that was conducted by Western scholars, this current study focusses on the CEO remuneration and performance conditions in the Chinese and South African contexts (Kato, & Kubo, 2006). Secondly, the researcher offers reasonable suggestions for the current CEO compensation structure in South Africa and China. Thirdly, in the context of developing countries, China and South Africa represent two different systems; therefore, in this current study, the researcher presents a concept for other developing countries with the same requirements and situations as China, or South Africa.

1.8. Ethics considerations

The source of the data required in this current study are public disclosure documents in the annual reports of the banking sector; therefore, usage permission of the data was not required. The researcher explored CEOs' salaries with shareholders' value, but not of any specific executive. In addition, the researcher would not falsify the information and data collected from annual reports and other resources.

1.9. Limitations of the Study

This paper has a number of limitations related to the usage of data, research objects and theoretical perspectives. Firstly, the researcher focusses on the 10 selected holding banks in South Africa and China. Therefore, the other state-owned banks, private banks, and companies from other sectors, are not discussed in this current study.

Secondly, because of time constraints, the researcher only chose four firm performance indicators, to measure the correlation between CEO remuneration and returns to shareholders, which is not comprehensive enough. In addition, CEO compensation might be influenced by, not only firm performance, but also other elements, for example, CEO age and gender, which is another limitation of this current study.

Thirdly, the researcher focusses on the highest paid CEO in each bank. Consequently, the remuneration for other executives are not analysed. Additionally, the remuneration package could include many elements; however, in this current study, the researcher only considers the fixed salaries, pensions, perquisites, bonuses, and employee benefits, paid to directors.

1.10. Structure of the Study

This current study is divided into six chapters.

Chapter 1: Comprises the introduction, motivation and background of the research.

Chapter 2: The researcher enumerates previous literature, relevant to CEO compensation.

Chapter 3: The methodology and variables in the study are described.

Chapter 4: The researcher presents the research results.

Chapter 5: The results of this current study and previous researches are discussed.

Chapter 6: The researcher provides recommendations and concludes this thesis.

1.11. Summary

Over the past two decades, the CEO remuneration problem has been a protracted topic for all stakeholders involved. Given the economic situation in South Africa and China, it is reasonable to readdress this topic. Since the 1990s, executive compensation has increased substantially, accompanied by not only the higher market value of companies, but also poor company performance and collapse (Bezuidenhout, 2016). In this current study, the researcher explores and analyses whether the CEO compensation is related to the returns to shareholders (represented by company performance indicators). In this current research, the CEO compensation consists of fixed salaries, pensions, perquisites, bonuses, and employee benefits paid to directors. Performance indicators Return on Equity (ROE), Return on Asset (ROA), Total shareholder return (TSR), and Net Operating Profit After Tax (NOPAT) are used as variables to analyse company performance. The researcher assumes that the

correlation between CEO pay and these four performance variables are not slightly positively related. In the following chapter, the researcher discusses CEO compensation and related topics, by reviewing existing literature.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

In Chapter Two, the researcher aims to provide a better understanding of the correlation between the CEO's compensation and returns to the shareholders, by conducting a complete literature review of related existing literature, in this current economic and management science research study. This topic of the correlation between the CEO's salary and returns to the shareholders, is a controversial one, which has been explored, previously, by many international researchers (Shaw, 2011). However, in this current study, the researcher aims to conduct a further analysis regarding the directors' compensation problem, by comparing the South African banking sector to that of the Chinese.

The literature review is conducted in three phases. In the first phase, the researcher discusses the review of the role of the CEO, as well as the social responsibilities of the CEO and corporations. In the second phase, the researcher discusses the income inequality problem, as well as other problems associated with the CEO emolument. In the third phase, the researcher includes previous discussions on the pay-for-performance perspective, explored by other researchers, and subsequently, focuses on the study of South Africa and China.

2.2. Role of the CEO

Lambrechts (1992) informs that, previously, the capital provider was the manager, as well as the owner of the enterprise; however, in 1870, it was determined that the separation between ownership and control of companies, could promote the development of companies better, as hiring specialized agents to manage the company was more efficient and professional. Consequently, the chief executive officer emerged, as the executive manager, authorized by the board of directors of corporations, with the mission to lead corporations and achieve the

corporate performance expectations; therefore, the CEO, ultimately, is held responsible for the profits of corporations (Shaw, 2011).

A CEO's job is highly sophisticated (Core & Guay, 2010). Andrews (1980) posits that a CEO is a designer of organizational intention, a company leader, as well as a personal leader. In addition, the CEO must ensure that the management activities of the organization are reasonable, by offering strategic direction and leadership in its enforcement (Andrews, 1980). Ultimately, the CEO should have the capacity to make significant company decisions, manage the company operations, plan the assets reasonably, act as a communication hub between board and company operations, and be the face of the enterprise (Kenton, 2019). Kotter (2001) adds that the personal charisma and vision of a CEO are also important.

The leadership role, as one of the most significant roles of CEOs, could affect all other roles of an enterprise (Glick, 2013). Using an airline pilot metaphor, CEOs are like aviators, driving through a rainstorm; even though they know how difficult it will be, they should realise that their passengers (employees) are on the same airplane with them, and are waiting for the good news over the intercom (Ayaba, 2012). Therefore, one of the major functions of a leader is being able to motivate people (Farkas & Wetlaufer, 1996), which concurs with Kotter (2001) opinion that leadership requires charisma and vision.

Currently, CEOs must possess professional management knowledge, abundant experience, and creativity, to be able to contend with, or adapt to the increasingly fierce market competition (Chen, Zhang, Xiao, & Li, 2011). To be an effective strategic planner, the CEO must balance the orientation of both the *chief* and *executive*. As a *chief,* the orientation of a CEO is operational, because the CEO must become the tactical planner and the decision maker of the company; however, as an *executive*, the mission of the CEO is to mold the enterprise atmosphere, as well as set up frameworks and processes, while focusing on strategic issues (Leidecker, Bruno, & Yanow, 1988).

Xiao (2004) asserts that a CEO with good execution is more important for the success of the enterprise, than the strategy of the enterprise itself. As the captain of the organization, the chief executive has significant effects on the performance of the organization (Bezuidenhout, 2016). According to Bezuidenhout (2016), this is considered the reason for the substantial escalation in CEO compensation over the last two decades. In addition, as early as 1998, Finkelstein and Boyd (1998) reported in their study that CEOs, with a significant potential effect on the gains and losses of companies, will be paid higher remuneration packages, and so they should be. Besides, the CEO's influence and authority far surpasses that of other executives, as the decisions of CEOs could affect, not merely one unit, but the whole enterprise (Hambrick & Quigley, 2014).

Mascarenhas (2009) raises eight key accountabilities for CEOs of major corporations, especially transnational corporations. These eight key accountabilities includes, developing growth channels, increasing productivity, competing for talent, managing risks, strengthening corporate governance, combining sustainability, creating innovation models, and building new infrastructure. Shaw (2011) concurs that the study of Mascarenhas has widespread applicability, as it not only applies to major corporations, but could also be applied to middle and small-sized enterprises. Therefore, individuals who aim to satisfy all the above accountabilities, simultaneously, must be well-educated and skilled. Such talent, is infrequent; therefore, Kim, Kogut, and Yang (2013) suggest that shareholders and enterprises need to reward CEOs properly, to attract and retain them.

2.3. The CEO and Corporate Social Responsibility (CSR)

Lin (2013) asserts that CEOs manage firms that could affect every sector and every industry on earth; consequently, by implication, CEOs run the world. Therefore, the role of CEOs and corporations in society is important. The activities of the CEO, as well as the strategies of the corporation, could have direct impacts on the world. A failed CEO could destroy the whole company, thereby affecting the entire society, for example, after the collapse of Enron and

WorldCom, people became aware of the significance of CEOs and enterprises in society (Singh & Agarwal, 2003). Therefore, corporate social responsibility (CSR) has become another popular topic in the recent decade.

To participate in CSR implies that, generally, corporations operate in a manner that promotes society and the environment, instead of negatively affecting them (Chen, 2020). In addition, as the leader and the face of a corporation, the CEO should bear the responsibility of CSR planner and executant (Hohnen & Potts, 2007). The concept of CSR is wide, as different businesses and industries could adopt a different form of corporate social responsibility. However, through corporate social responsibility programmes, charitable causes, and volunteer efforts, enterprises could, not only benefit the society, but also enhance the corporate brand image (Chen, 2020). In addition, Chen (2020) presupposes that corporate social responsibility activities could create a stronger bond between employees and CEOs, enhance morale, and help employees, as well as CEOs feel more connected to their immediate environment.

Kotler and Lee (2008) propose six key types of corporate social responsibility in their study, namely:

- **Enterprise charity:** enterprise contributes to philanthropy, including cash, materials, and services;
- **Volunteer efforts:** enterprise-organized community volunteer efforts;
- **Socially responsible business practices:** ethically manufacture goods that appeal to a customer segment;
- **Cause promotions and activism:** company donated publicity campaign;
- **Cause-related marketing:** charitable donations based on products sales;
- **Corporate social marketing:** enterprise-funded behavior-change campaigns.

Generally, a company does not have any profit motives when participating in Enterprise charity and Volunteer efforts; however, some corporate social initiatives might have a dual purpose of societal interest and profit motive (Organ, 2017). An enterprise that understands social responsibility, firstly needs to take responsibility for itself and its shareholders. Usually, an enterprise that becomes involved in CSR programmes, has grown to a stage, where it feels obliged to *give back* to society; therefore, CSR, basically, is a strategy of major corporations. Besides, the more prosperous the corporation, the greater its accountability to set standards of ethical behaviour for its peers, rivals, and industry (Chen, 2020).

In the recent two decades, the relationship between corporate social responsibility and CEO's remuneration, has gained more and more attention and emphasis (Rekker, Benson, & Faff 2014). Wells (2002) refers to a business debate on whether to adopt social responsibility, or create more financial returns for shareholders; in fact, some researchers think there is a divergence of the two. The question that emerges is whether a higher engagement in social responsibility would reduce financial returns for shareholders, and influence CEO remunerations. Margolis and Elfenbein (2008) answers this question with a definite *no*. The findings of their research reveals that only two percent of articles find negative relationships between corporate social responsibility and returns to shareholders, as they conclude that there are situations in which corporate social responsibility projects, in fact, enhance company performance (Margolis & Elfenbein, 2008). Additionally, as early as 1997, research conducted by Russo and Fouts (1997) reported that a company with a good social responsibility atmosphere, positively influences on its technology, fame, as well as employees, which could create more returns for shareholders.

Graafland, Kaptein, and Mazereeuw-van der Duijn Schouten (2010) assert that CSR could reach the optimal level, if a CEO is strategically motivated, implying thereby that CEOs should seek to raise corporate social responsibility activity, and create financial returns for the shareholders. Naturally, it is assumed that growth in the financial performance for

shareholders, therefore, would enhance the CEO's remuneration.

2.4. Executive Remuneration

Consequently, based on the information in the previous section, it is evident that CEOs offer their skills to companies, to create value for shareholders, and in exchange, the company/shareholders tender a salary as reward to CEOs, referred to as remuneration. Bussin (2012) defines *executive remuneration* as the fixed pay, short term incentives (STIs), long term incentives (LTIs), and related benefits awards to those, who occupy the most senior decision-making position in public and private sector companies. In this section, the history of remuneration problems are discussed.

2.4.1. Origins and nature of executive remuneration

Research on executive remuneration has a long history (Finkelstein & Boyd, 1998). As a way of rewarding executives, the concept of executive remuneration could be traced back to the 1930s (Shaw 2011). In 1932, Adolf Berle and Gardiner Means published a widely praised book entitled, *The Modern Corporation and Private Property*, which introduced issues of management responsibility, stemming from the separation of ownership and control (Berle, & Means, 1932). The work of Berle and Means (1932) originated from the path breaking work on the effect of management power, and the incapacity of shareholders to control the enterprise (Bratton, 2001). In addition, the contribution has been identified by Berle and Means as a foundation for the principle agent theory. The executive contribution has been described as the fixed pay, short term incentives (STIs), long term incentives (LTIs), and related benefits awards that are paid to CEOs, and other senior executives of a company (Bussin, 2012).

Shaw (2011) states that the first discussions regarding the executive remuneration, in the context of the modern enterprise, have widely been attributed to Chester Barnard's book, entitled, *The functions of the executive* (Barnard, 1968). In this path breaking

book, Chester Barnard highlights that the financial rewards are a key factor in stimulating individuals to afford their discretionary effort (Barnard, 1968). In addition, Barnard (1968) indicates that, in a variety of organizations, the allocation of suitable rewards becomes the demonstrably emphasized task in their existence.

2.4.2. Issues in executive remuneration

As the topic of executive remuneration became more and more conspicuous, issues created by executive remunerations, gradually appeared (Surve, 2008). Although, discussions on executive remuneration appeared to be controversial for a while, a few key issues recently attracted some attention, for example, remuneration inequality, as well as unreasonable remuneration problems (Keeley, 2015).

2.4.2.1. Remuneration Inequality

Remuneration inequality (Income inequality) is a type of economic inequality that could be described as, a small proportion of the populace, appropriates a large proportion of the income (Kopp, 2020). The findings of a research study conducted by Keeley (2015) revealed that many citizens, both rich and poor, complained about income inequality affecting the social environment, negatively. Therefore, Keeley (2015) propounds two strands of disadvantages about the inequality. The first strand is that the inequality could diminish social mobility, and increase the difficulty of climbing up the economic ladder. The other strand is that inequality could affect people's health and happiness.

The income ratio of the top 20 percent, to the bottom 80%, escalated rapidly, from three to one in 1820, to eighty-six to one in 1991 (Hunt, 2004). Additionally, the income inequality propensity has intensified after the 2008 financial crisis. A research conducted by the American Economic Policy Institute reported that the income ratio of the top 1 percent grew faster than the other 99 percent in the United States of America, between 2009 and 2015 (Kopp, 2020). The Los

Angeles Times (Puzzanghera, 2014) reported that the richest 1 percent owns 46 percent of the world's total fortune, and the total wealth of the top 85 billionaires in the world, equals the total wealth of the bottom 50 percent of the world. Economists found the wealth of the top 1 percent of the richest people in the world grew by 28% in 1980, to 33% in 2016, while the wealth for the bottom 75 percent of people remained the same at 10 percent (Alvaredo, Chancel, Piketty, Saez, & Zucman 2018). The world inequality report detailed that the income inequality has caused some individual groups to become richer, while the government and national economy has become poorer. (Alvaredo et al., 2018).

Additionally, the income inequality problem has become more apparent in enterprises. According to the analysis of Standard & Poor's 500-stock index (Campbell, 2019), the remuneration of CEOs were nearly 300 times higher than ordinary employees worldwide. However, Firth, Leung, Rui, and Na (2015) assert that the average CEO's compensation in Shanghai and Shenzhen, China, was only 6 times greater than their employees in 2015, and the ratio reveals an escalating trend. Additionally, Bezuidenhout (2016) asserts that, in South Africa, CEOs earn even more than 400 times the wages of an ordinary employee.

Vieito (2012) reports that the huge income gap is not only between the CEO and ordinary employees, but also between the CEO and the Vice-President (VP) of an enterprise. Regarding the Tournament Theory, proposed by Edward Lazear and Sherwin Rosen (1981), the big remuneration gap between the CEO and the Vice-President would promote the Vice-President's instinct of competition, to strive for the CEO's position in the future, which competition will lead to an increase in firm performance. However, the Behavioral Theory suggests that a smaller remuneration gap between the CEO and the Vice-President could increase cooperation and harmony between them, while the financial performance for

shareholders could be higher (Vieito 2012). Damilola (2020) asserts that the increase of the director's salary could help to improve the company's performance; however, it could generate negative reactions, if the remuneration gap is too great. Plato believes that, in an ideal society, the richest should not earn more than fivefold the income of the poorest (Damilola, 2020).

Lin and Lu (2009) observed that previous research conducted, by using ordinary least squares (OLS) regression, proved that the income gap could motivate CEOs to create more value for shareholders and enterprises; however, they also determined that the findings of previous research were not complete. Consequently, Lin and Lu (2009) used simultaneous regression and observed that the effect created by the remuneration gap was higher in companies with high operation ability.

2.4.2.2. Unreasonable remuneration

The perception exists that a high remuneration could influence CEOs to make performance-maximizing decisions, since CEOs would want to retain their position in enterprises (Core, Holthausen, & Larcker, 1999). However, Tamasiunaite (2016) insinuates that shareholders do not know whether the CEO's decisions are the best, as a CEO, with a high remuneration package, could also be seeking personal benefits, and concealing this fact with relatively profitable company performances, without the shareholders' knowledge.

Core, Holthausen, and Larker (1999) used 205 publicly traded American firms during the period of 1982 to 1984, as variables, and observed that excessive remuneration has a direct negative influence on company performance. Kirkpatrick (2009) posits that, even though the risk of excessive CEO compensation has been noted in academia, these problems are not widely discussed and analysed.

It seems inconceivable that CEOs would concede publicly that they are being overpaid; however, the discussion about CEO executive compensation has been intensifying for some time (Bezuidenhout, 2016). A study, published by Forbes, revealed that, in 1986, the top 10 highest remunerated CEOs in America earned USD$ 57.88 million, on aggregate. This value has increased 10-fold in 26 years, as the total remunerations for the top 10 CEOs was USD$616.4 million in 2012 (Sforza, 2013).

Bussin (2012) raises the question of whether the remuneration paid to CEOs are warranted. Kim, Kogut, and Yang (2013) state that an individual, who wishes to become a CEO, should have rare capabilities and be erudite, as such a talent would obtain a proper reward from the enterprise. However, being properly rewarded and receiving an excessive salary are two different concepts.

Hayes and Schaefer (2009) propose that the reason for the rapid increase in CEO remuneration could be the *Lake Wobegon Effect*. Van Vugt (2013) describes the *Lake Wobegon Effect* as the trend of individuals to overestimate their abilities, in relation to those of others. Theunissen (2012) concurs that the *Lake Wobegon Effect* is the reason for the surge in CEOs' salaries. Hayes and Schaefer (2009) add that no enterprise wants to acknowledge that it is managed by an incapable CEO, so each enterprise wants to peg their CEO's salary at higher level than the median pay level of comparable enterprises. Therefore, when a company's CEO receives an increase, their competing company would increase the salary for their CEO as well, without taking his/her performance into account (Hayes & Schaefer, 2009). The influence of the *Lake Wobegon Effect* is an endless bandwagon effect, with enterprises increasing their CEO's salary ever higher, without considering their situations, and financial performance (Theunissen, 2012).

2.5. Pay-Performance

As mentioned previously, the topic of the correlation between CEO compensation and returns to shareholders has intrigued academics and the media alike. Murphy (1985) was one of the first researchers to display interest in the Pay-performance topic. Murphy analysed 501 managers from 72 enterprises, and observed that fixed pay, STIs and the CEO's total compensations are related positively to growth in sales, as well as the total shareholders' returns. According to Shaw (2011), pay and performance sensitivity refers to the pertinence between the executives' compensations and the measures of returns for shareholders. In addition, there is not only one measurement index, as instead, the term refers to a wide set of variables (Shaw, 2011). In this section, the researcher aims to provide a brief review of previous researches on the topic of pay and performance, and illustrate the major variables that are used as measures of remuneration and returns. Subsequently, the researcher generalizes the results of the nature of the correlation between remuneration and performance.

2.5.1. Structure and components of executive pay

As a strategic tool, the executive compensation packages have been used widely by the labour market to attract, retain, and motivate, outstanding talent (Bezuidenhout, 2016). According to Bezuidenhout (2016), the executive compensation structure is the relationship between fixed salary and the performance-based, variable components of benefit. Bezuidenhout (2016) adds that the elements of the executives' compensation packages depend on the agreement between the executives and the board, as well as corporate governance. He states that the components of executive pay are diverse, and each component has its own effect on the total emolument that the CEO will receive (Bezuidenhout, 2016).

The findings of a study conducted by Murphy (1998) revealed that the CEO's remuneration package usually comprised four elements, namely, base wages (fixed pay),

premiums tied to accounting profit, share options, and long term incentives. One year after Murphy's study, Abowd and Kaplan (1999) published a research article, in which they considered the implications of Murphy's article, and concluded that the remuneration package should constitute the following four elements: salary, annual bonus, benefits, and long term compensation.

Bussin (2012) describes executive pay packages as the combination of a fixed salary and variable pay, as the four elements in his study are fixed pay, short term incentives, long term incentives, and other benefits. According to Bezuidenhout (2016), the fixed portion is the confirmed monthly, or annual salary, which is not influenced by performance; however, the variable portion is floating, dependent on the results of various measures of the enterprise performance.

WorldatWork (2015), the largest non-profit professional union in the USA devoted to leadership in reward management, deemed that compensation is a single component in the total rewards mix, which could be used as a company's strategy to retain and engage employees. The framework of the total rewards is made up of six basic components, namely:

- Remuneration (compensation): pay provided by enterprises to its employees for labour force rendered, and includes fixed, as well as variable pay tied to performance levels;
- Benefits: programmes are used by enterprises to supplement the cash salary employees receive. These health, income protection, and retirement programmes provide security for employees and their families;
- Work-life effectiveness: a concept that could help employees to achieve success at the company, as well as at home, including a specific set of organizational practices, policies, and programmes;

- Recognition: either formal or informal, which acknowledges or pays special attention to employee actions or performances, and supports the business strategy by reinforcing behaviours that contribute to organizational success;
- Performance management: the alignment of organizational, group and employees efforts, to achieve the business goals. Performance management includes establishing expectations, skill demonstration, assessment, feedback, and continuous improvement;
- Talent development: provides the opportunity and tools for employees to advance their skills and competencies in their short- and long-term careers.

As one of the many benefits that enterprises offer employees, WorldatWork (2015) maintains that remuneration has the power to attract, retain, and motivate employees. The rewards model is affected by the culture and characteristics of the organization, as well as its impact on employees and the organization, as a whole (WorldatWork, 2015). A graphic representation of the Total Rewards Model is depicted in Figure 2.1.

Figure 2.1: Total Rewards Model

Resource: WorldatWork (2015)

A study conducted by Bender and Moir (2006) observed that the trend of executive remunerations in Britain is as follows:

- Market benchmarks that determine remuneration and bonus levels.
- High levels of remuneration, which are related to performance.
- A desire for executives to hold equity in their businesses.
- Disclosure of total shareholder returns, compared to an index.
- A perceived need for accordance, in order to legitimize policies.

Huang (2010) indicates that the structure of executive compensation is very complicated, and it is important to understand the special constitution of executive remuneration packages, before discussing whether the CEO is overpaid. Frydman and Jenter (2010) add that the relative importance of pay factors, to the CEO and the enterprise alike, however, has changed significantly over time. Evidently, most of the studies exclude the component of share options, as, when the researchers attempted to gather information on share options from their samples, many had a similar lack of information problem.

2.5.2. Shareholder value and the company's performance

The concept of shareholders' value has been used continually in the analysis of the correlation between salary outcomes and the measures of the firms' performance (Shaw, 2011). In a research article by Backdoor, Bequest, Milbourn and Thakur (1997), the authors assert that the measures of company performance, used in the design of executive compensation plans, should be aligned with the varying in the shareholder' wealth, and should not be influenced by the internal factors of a company's share price.

According to Murphy (1985), both the total shareholder return and growth in sales should be used as indicators to measure the firms' performance. Murphy (1998) adds

that executives' wealth should be linked directly to the shareholders' goal, namely, creating shareholder wealth through share options and shareholding. In addition, it should be indirectly linked to the share price performance, through accounting-based bonuses, as well as in the year-to-year adjustments in salary. Murphy (1998), therefore, added two shareholder value measures, namely, the rate of return realized by shareholders, and the rate of return on the common share (excluding share issues and repurchases).

Besides the studies conducted by Murphy, many research studies conducted by other scholars also provided and used several indicators that could measure the maximization of the company's performance and shareholders' returns. Abowd (1990) is one of the earliest researchers, who used ROA and ROE as the performance variables to determine the effects of performance-based remuneration on the firms' performance. Pinto, Henry, Robinson, Stowe, and Wilcox (2020) also used ROE and ROA in their research, and illustrated that ROE measures the percentage return, based on the money provided by the owner, which differs from ROA, which measures the percentage return, based on the money provided by both shareholders and creditors. In addition, Bhagat and Bolton (2008) used ROA as a firm performance variable in their study, while Theunissen and Oberholzer (2013) used ROE as a performance variable in their research, to measure a South African firms' performance.

TSR is another popular measure for the topic of pay-performance. Jensen and Murphy (1990) used TSR as the variable to verify the correlation between performance pay and management incentives. Dalton and Aguinis (2013) concur that TSR is an excellent indicator, as it can connect to shareholders directly. A research article by Coombs and Gilley (2005) considers TSR, company size, and ROA, as measures of company performance, while stakeholder management is used to predict executive remuneration, and its influence on returns for shareholders. Ericson (2011), Farmer, Archbold, and

Alexandrou (2013), as well as Haynes, Campbell, and Hitt (2014), all use TSR as the measure of financial performance.

Additionally, Fernandez (2001) uses NOPAT to measure the shareholder value creation in his study. Weaver (2001) defines NOPAT as profits before interest and taxes, less Invested Capital (IC) and taxes, as total assets. Goldberg and Godwin (2001) also used NOPAT in their research, and described it as the cash generated by company operations.

Various researchers have different standpoints regarding the significance and necessity of the same company performance measure (Bezuidenhout, 2016). Tosi, Werner, Katz, & Gomez-Mejia (2000) provide six indicators that measure company performance, namely: *absolute financial performance levels; changes in financial levels; share performance; ROE; ROA; and internal performance indicators*. However, the findings of a South African study, conducted by Scholtz and Smit (2012), reveal that the share price, sales turnover, earnings before interest, tax depreciation and amortization, and total assets, are infrequently used indicators in studies of the relationship between executive pay and firm performance.

In conclusion, there is not one specific, or constant measure of firm performance, but instead, a combination of, or range of, various and peculiar performance measures. It is not necessary for researchers to use the same measures as others. Ultimately, researchers should choose their own combination of measures that is suitable for their own study.

2.6. The CEO compensation in South Africa and China

The literature regarding the CEOs' and executives' compensation is particularly limited in the South Africa context (Shaw, 2011). However, Crotty and Bonorchis (2006) explore the level of CEO pay in the South African context, and even uncovered some of the executive

remuneration problems for South African companies in their book. In addition, Du and Choi (2010) argue that, even though only a few studies on performance-related executive pay have been conducted in China, the results were surprising, as employee reaction to the performance-related executive pay was extremely positive.

It is worth noting that the executive remuneration problems, which Crotty and Bonorchis (2006) identified in their book, is caused by the South African context, as in such an unequal society, the salary gap would definitely be a challenging dilemma. They illustrate this kind of inequality by using the Gini coefficient, a measure of inequality in society, indicating that South Africa has one of the greatest inequality scores in the world (Crotty & Bonorchis, 2006). Fu (2018) also used the Gini coefficient in his study, and states that the Gini coefficient score of China had already exceeded the warning cordon in 2017.

In 2016, the income of the top 20% of Chinese citizens was nearly equal to the sum of the other 80% (Fu, 2018). In South Africa, the difference in the executive's and the employee's salary was 120 times in 2009; however, it has increased sharply to over 140 times in 2013 (Bezuidenhout, 2016). Collier, Idensohn, and Adkins (2010, p. 84) indicate that, based on the wage gap between the rich and poor, South Africa continues to remain one of the most unequal countries; consequently, the rationality of the executive's salary must highlighted in South Africa. Additionally, Fu (2018) proposes that the income inequality issue and the rationality problem of director compensation, should become a critical discourse in the Chinese economy.

To overcome the above problems, both the Chinese and South African governments have implemented relevant measures. The South African government established the Committee of Corporate to regulate corporations and executives (Collier et al., 2010). In addition, the King code has been used to drive the governance of executive compensation (Collier et al., 2010). The code has already evolved into a comprehensive framework in the third edition [King III

report] (Collier et al., 2010). The King IV report has proposed that the remuneration and performance-related elements should be disclosed by companies, as well as that the accountability of executive directors to shareholders could be promoted, by approving the compensation policy (King Committee on Corporate Governance & King, 2016).

The Chinese Ministry of Finance enacted a remuneration governance notification for state-owned businesses in 2009, the starting point of which is, establishing a Performance Appraisal System (PAS), to determine whether the CEO remuneration adjustments abide by the annual foundation levels (Lin & Zhang, 2009). The financial industry, the PAS pilot project, has been updated through a range of articles of association, and detailed regulations for bank performance evaluation, by the Chinese Ministry of Finance at the end of 2009 (Lin & Zhang, 2009).

2.7. Chapter summary

The review of the literature focused on the role of CEOs, the executive compensation principles, as well as the social responsibility that CEOs and corporations should demonstrate in society. Subsequently, the researcher discusses the origin and nature of executives' remuneration, as well as the remuneration inequality, and the CEO being overpaid problems. Additionally, in this chapter, the researcher presented a discussion on the components of remuneration, as well as performance measures, and the CEO compensation problems in South Africa and China.

In Chapter Three, the focus is on the methodology used by the researcher in this current research. The sampling, data collection, and analysis processes, as well as the variables used, are discussed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

In this chapter, the researcher discusses the research methodology followed, to ascertain whether there is a relation between CEO remuneration and returns to shareholders. The research problem, questions, and purpose of this current research are reiterated in this chapter, to assist in discussing the sampling selection, variables used, the data collecting process, as well as the analysis of the variables. The data related to abnormal conditions and hypotheses are discussed in this chapter, as well.

3.2. Overview of past research data and methodologies

The data-collection and methodologies from previous research papers are discussed in this section to provide a general overview of this topic. One of the first studies on executive compensation was written by Murphy (1986), in which he used a quantitative approach, claiming that executive compensation is statistically linked to the firm performance (shareholder returns and growth in sales), by analysing many samples of publicly held companies in the USA. In a similar study, conducted in the Asian market, Hassan and Theo (2003) used a sample of 100 listed companies, during the years 1996 to 1998, and concluded that there is a positive, but weak, relationship between the executives' remuneration and returns to shareholders. In addition, they observed that, although the firms' financial performance had worsened, the executive's compensation had continued to rise. A study conducted by Gregg, Jewell, and Tonks (2005) also determined a positive, but weak relationship between executives' compensation and returns to shareholders, by analysing the company data over the period of 1994 to 2002.

According to a study in the UK, the link between higher-performing companies and director's

compensation are stronger, than with poor-performing companies (Stathopoulos, Espenlaub, & Walker 2005). Girma, Thomson, and Wright (2007) adopted total remuneration without share options as their dependent variable, and, using the regression analysis, observed a weak relationship between director salary and returns to shareholders. However, Eichholtz, Kok, and Otten (2008), employing an elasticity approach, observed a strong link between executives' compensation and returns to shareholders, while using the scale of a company as a variable.

In Australia, Merhebi, Pattenden, Swan, and Zhou (2006) examined 722 domestic enterprises from 1990 to 1999, using the Total value, Market value, RTS (return on stock), ROA, and ROE, as variables, and observed that the CEO's remuneration was dependent on the enterprise/firm performance, as well as the scale of the company. There was a significant positive link between the executives' salary and returns to shareholders, and a strong, positive correlation between the executives' remuneration and the corporate size (Merhebi et al., 2006). Clarkson, Walker, and Nicholls (2011) also found a positive link between the executive's remuneration and the Australian company performance. Another Australian paper, written by Doucouliagos, Haman, and Askary (2007), highlighted that the correlation between the directors' salary and the shareholders' value in the Australian banks, could also be influenced by the scale of the bank (positive association), lagged values of executives' pay (positive association), age of the executives (positive association), and the specific bank effects. In addition, they observed that the directors' remuneration is correlated to the enterprise performance, in the long term (Doucouliagos et al., 2007).

In an analysis article about China, Zhou, Georgakopoulos, Sotiropoulos, and Vasileiou (2011) assessed a panel of Chinese banks from 2001 to 2009, and observed that there was a significant relationship between CEO remuneration and ROE, as well as the performance of non-performing loan ratios. In addition, there was no relationship observed between the director's income and bank performance; however, they determined that government

intervention could narrow the pay-performance sensitivity. Consequently, they concluded that government interference was necessary to balance the equilibrium between CEO remuneration and the value they created for shareholders.

The findings of a recent study, conducted by Scholtz & Smit (2012), using a quantitative approach, as well as time-series, and cross-sectional regression, revealed that there was a strong relationship between directors' compensation and total assets, as well as turnover and the share price of a company. By analysing the companies listed on the Alternative Exchange in South Africa, between 2003 and 2010, they observed that the strong relationship remained during the financial crisis period, regardless of the performance of the share price. A study conducted by Naik (2016) examined the correlation between CEO income and returns to shareholders, by using a sample of 49 JSE listed firms during 2014, with a total of 708 directors. The findings of the study revealed a weak correlation between income and performance; however, he also observed that the regression analysis revealed evidence of a significant positive relationship between the CEO compensation and total assets (Naik, 2016). The study findings also highlighted that male directors, aged over 50, with six to ten years of executive working experiences, attracted a higher amount of compensation, compared to other directors (Naik, 2016). In the same year, Priem (2016) published a thesis about CEO compensation and total shareholder returns in South Africa, and used Return on Equity, Return on Asset, Tobin's Q, Economic value added, and Total Shareholder Return, as indicators to evaluate the firm performance. Priem (2016) concluded that good firm performance had proven the reasonability of the director compensation, and according to his research, the CEO's annual percentage salary increases were much lower than the percentage returns increases to the shareholder.

3.3. Research Objectives

The purpose of this current study was to ascertain whether the CEO income and returns to shareholders had a correlation, and was justified, as well as to evaluate whether the

performance of companies and income inequality could be improved by adjusting CEO remunerations. The researcher explores the answer by analysing South African and Chinese holding banks, to facilitate a better understanding of the correlation between directors' compensation and the financial performance of firms. Specific objectives of the main research objective are as follows:

- To ascertain whether there was a relationship between directors' compensation and shareholders' value in the Chinese and South Africa holding bank sector for the period 2007 to 2018;
- To conduct an analysis of the variation tendency of the relationship between directors' compensation and shareholders' value in the Chinese and South Africa bank sector for the period 2007 to 2018;
- To inquire about the difference of the variation tendency about the relationship between directors' compensation and shareholders' value in the Chinese and South Africa bank sector, during the global financial crisis period (2007 to 2010), and the period after the crisis (2010 to 2018);
- To investigate whether the financial predicament in the Chinese and South African bank sector can be surmounted by adjusting the CEO compensation structure;
- To explore the income inequality problem and whether CEOs in the Chinese and South African bank sector deserve the inflated salary they receive from the company.

3.3.1. The reason for comparing China and South Africa

China and South Africa are both developing countries, and part of the association of five major emerging national economies, namely, Brazil, Russia, India, China, South Africa [BRICS]. However, as the biggest mixed economy countries in Asia and Africa, respectively, the political and economic systems in China and South Africa are quite different. South Africa is currently facing an economic recession problem. South Africa's annual GDP growth rate indicates a falling trend, as the annual GDP growth

rate rapidly declined from 1.4% in 2017 to 0.8% in 2018 (Statistics South Africa [StatsSA], 2018). At the same time, the Gini coefficient in China reached 0.467 in 2017, which has increased by 0.5% in three years (Fu, 2018). Even though the Chinese economy developed well in the past three decades, the drawback, which brought about the income inequality, is becoming increasingly apparent (Fu, 2018).

3.3.2. Research Questions

The research questions emerged from the doubts that were expounded in Chapter Two. As previously mentioned, CEO remuneration has always been a trending topic in Western economies, and has concerned economists and the media in developed countries, for a long time. However, unlike in Western economies, this topic has been ignored in most developing countries (including South Africa and China). The research questions directs the research in exploring the relationship between CEO remuneration and shareholders' value.

In addition, another question arises, regarding the poor performance of executives, interrogating whether the CEOs in Chinese and South African holding banks deserve the well-paid remuneration packages they receive from the shareholders. For this research problem, the researcher reiterates the main research question that needs to be addressed:

"Is there a relationship between CEO compensation and shareholders value for the Chinese and South African banking industry?"

The following detailed questions and sub-questions will be used as a guide to the research process.

Question 1

Is there a correlation between CEO compensation and shareholders value in the banking sector of South Africa, for the period of 2007 to 2018?

- ***Sub-question 1.1:*** Is there a correlation between CEO remuneration and Return on Equity in the South African banking industry, for the period 2007 to 2018?
- ***Sub-question 1.2:*** Is there a correlation between CEO remuneration and Return on Asset in the South African banking industry, for the period 2007 to 2018?
- ***Sub-question 1.3:*** Is there a correlation between CEO remuneration and Total shareholder return in the South African banking industry, for the period 2007 to 2018?
- ***Sub-question 1.4:*** Is there a correlation between CEO remuneration and Net Operating Profit after Tax in the banking industry of South Africa, for the period 2007 to 2018?

Question 2

Is there a correlation between CEO remuneration and returns to shareholders for the Chinese banking sector, for the period of 2007 to 2018?

- ***Sub-question 2.1:*** Is there a correlation between CEO remuneration and Return on Equity in the Chinese banking industry, for the period 2007 to 2018?
- ***Sub-question 2.2:*** Is there a correlation between CEO remuneration and Return on Asset in the Chinese banking industry, for the period 2007 to 2018?
- ***Sub-question 2.3:*** Is there a correlation between CEO remuneration and Total shareholder return in the Chinese banking industry, for the period 2007 to 2018?
- ***Sub-question 2.4:*** Is there a correlation between CEO compensation and Net Operating Profit after Tax in the Chinese banking industry, for the period 2007 to 2018?

Question 3

Did the relationship between CEO remuneration and returns to shareholders change, over the period of 2007 to 2018?

- ***Sub-question 3.1:*** Did the relationship between CEO remuneration and returns to shareholders change in the South African banking sector, over the period 2007 to 2018?
- ***Sub-question 3.2:*** Did the relationship between CEO remuneration and returns to shareholders change in the Chinese banking sector, over the period 2007 to 2018?

Question 4

Does the strength of the relationship between CEO remuneration and returns to shareholders transform before (2007), during (2008-2009), and after the global financial crisis?

- ***Sub-question 4.1:*** The transformation of the correlation between CEO compensation and returns to shareholders in the South African banking industry before, during, and after the 2008 global financial crisis?
- ***Sub-question 4.2:*** The transformation of the correlation between CEO compensation and returns to shareholders in the Chinese banking industry before, during and after the 2008 global financial crisis?

Question 5

Can the companies from South Africa and China overcome their predicaments, by adjusting the CEO compensation structure?

- ***Sub-question 5.1:*** How does a South African company overcome the predicaments brought by the recession, in terms of adjusting the CEO compensation structure?
- ***Sub-question 5.2:*** How do Chinese companies overcome the predicaments brought by the big wealth gap, in terms of adjusting the CEO compensation structure?

3.4. Research Approach

In this current study, the researcher adopts a longitudinal quantitative approach to ascertain whether compensation aligns with firm performance. The quantitative approach allows the researcher to determine the correlation of two or more variables, thereby, confirming the authenticity of previous existing theories, or practices (Leedy & Ormrod, 2015). The research is based on previous literature: therefore, the research approach is deductive. The timeframe of the study is longitudinal; therefore, the research methodology is essentially archival, and expeditionary. Relevant data were collected using a desk study and literature analysis, during which the researcher gleaned secondary data from the disclosure of financial statements and the financial network of the selected banks.

3.5. Target Population

A target population is an entire group of objects or individuals that share similar features (Shaw, 2011). Researchers aim to generalize the conclusions through research on the target population (Bezuidenhout, 2016). Bezuidenhout (2016) adds that a population has been defined as the entire accumulation of factors that seek recommendations in the research.

The objective of this current study was to ascertain whether a correlation exists between executive remuneration and firm performance in the South African and Chinese banking sector. Therefore, the population for this current study was all the privately–owned banks in South Africa and China that were listed on the JSE (Johannesburg Stock Exchange), SSE (Shanghai Stock Exchange), or SZSE (Shenzhen Stock Exchange). Specifically, the target population for this current study was holding banks, listed on the JSE, SSE, or SZSE.

The JSE founded in 1887 and is the largest, oldest stock exchange in Africa (Johannesburg Stock Exchange [JSE], 2019). The JSE had an estimated 388 listed companies, with a market capitalization of US$1.2 trillion in March 2018. At the end of 2018, the SSE had a total of 1450 listed companies, and was ranked the 4th largest stock exchange in the world, with a

market capitalization of US$5.5 trillion (Shanghai Stock Exchange [SSE], 2019). The Shenzhen Stock Exchange [SZSE] was formed in 1990, and its market capitalization reached US$2.285 trillion in 2015. At the end of June 2019, it ranked the 8th largest stock market in the world, with a total of 2170 listed companies (Shenzhen Stock Exchange [SZSE], 2019).

3.6. Sample

A sample is a subset selected from a population through a specific procedure (Peck, Olsen, & Devore, 2015). The investigation samples, used in this current study are five established, privately-owned banks in South Africa, as well as 5 in China, for the period between 2007 and 2017. In this current research, a quantitative approach was adopted to ascertain whether compensation aligns with firm performance. Relevant data were collected from the banks' disclosed annual reports and financial statements. The five selected South Africa banks were Capitec Bank, Standard Bank, Absa Bank, Nedbank, and First National Bank. The reason for the choice of these specific five banks is that they are the most represented banks in South Africa, and the directors' remuneration problems at these banks are the most discussed topics among investors and shareholders in the financial sector (McKenzie, Mfongeh, Mohamed, Ncube, & Strauss, 2017). The selected Chinese Banks in this research were the China Merchants Bank, China Minsheng Bank, China CITIC Bank, Industrial Bank, and Shanghai Pudong Development Bank. The reason why the big five banks in China were not selected for this current study is because the five biggest banks in China are all state-owned, and would not represent the status of the whole industry, as an executive's salary in a state-owned company is controlled by the government; therefore, it is much lower than the salary in a non-state-owned company in China. In addition, performance in a state-owned enterprise is not only determined by the directors' ability, but also by other factors, such as national strategic planning (Chiu & Lewis, 2006).

3.6.1. The Ten Banks

All the banks' data were collected from the information disclosed on the Banks' official websites.

3.6.1.1. The five South African Banks:

- Absa Bank: Founded in 1991, listed on the JSE on 31 July 2013. Absa is one of Africa's largest diversified financial services groups. The bank has around 42 000 employees, across 12 countries in Africa (Absa Group Limited [ABSA], 2019).
- Capitec Bank: Established in 2001, and listed on JSE in the following year. Capitec has around 830 branches and over 13 333 employees. For the year ended 28 February 2018, the shareholders' fund of Capitec was R19 billion, and active clients were more than 10 million (Capitec Bank Limited [Capitec], 2019).
- First National Bank (FNB): FNB is one of the oldest banks in South Africa, formerly known as Eastern Province Bank, which was formed in 1838. The First Rand Group, established in 1998, listed on the JSE in the same year. Currently, FNB is one of the *big four* commercial banks in South Africa (First Rand Bank LTD, First National Bank [FNB], 2019).
- Nedbank: The Cape of Good Hope Bank was established in 1831, and was the predecessor of Nedbank. Nedbank's ordinary shares have been listed on the JSE since 1969. According to the financial reports posted by Nedbank, the total assets for Nedbank reached R1.1 trillion in 2019. Nedbank has more than 30 500 employees, and 7.8 million clients over the Africa continent (Nedbank Limited [Nedbank], 2019).
- Standard Bank: Standard Bank was a subsidiary bank of the British overseas bank, Standard Bank. The bank was formed in 1862, in Port Elizabeth, South Africa, and currently, has clients in over 20 countries on the Africa continent. Standard Bank Group is the largest African banking group by assets, with an approximately R277 billion market cap, as at 31 December 2019 (The Standard Bank of SA LTD [Standard Bank], 2019).

3.6.1.2. The five Chinese Bank:

- China Merchants Bank (CMB): Established in Shenzhen in 1987, listed in 2002. CMB is the first joint-stock commercial bank that is wholly owned by legal persons' enterprise in China, with the fifth-largest market value in the Chinese banking sector (China Merchants Bank [CMB], 2019).
- China Minsheng Bank (CMBC): Established in 1996, listed in 2000. CMBC is the first national commercial bank established by private capital in China (China Minsheng Bank [CMBC], 2019).
- China CITIC Bank (CNCB): Established in 1979, listed on the Shanghai Stock Exchange in 2007. It is the 7th largest bank in mainland China, with 1200 billion Hong Kong dollars in total assets and 16 000 employees (China CITIC Bank [CNCB], 2019).
- China Industrial Bank (CIB): Established in 1988, listed in 2007, with ￥19.052 billion in registered capital. CIB ranked 213th on the American Fortune 500 list in July 2019 (China Industrial Bank [CIB], 2019).
- Shanghai Pudong Development Bank (SPDB): Established in 1993, and listed on the Shanghai Stock Exchange in the 1999. In 2018, SPDB ranked the 70th on Forbes Top 2000 Global Enterprises, 25th on the Britain's Banker Top 1000 Global Banks, and 227th on the American Fortune 500 list (Shanghai Pudong Development Bank [SPDB], 2019).

3.7. Research Components

In this section, the researcher focuses on the components that will be discussed in this current study. As previous research studies revealed, researchers generally used various measures to analyse firm performance and directors' compensation (Bezuidenhout, 2016; Bratton, 2001; Bussin, 2011; Diamantopoulos, 2012; Shaw, 2011; Theunissen, 2012). In this current study, the variables have been divided into two groups, namely, dependent and independent.

The dependent variable in this current study only has one factor, which is the CEO's remuneration, and the independent variables include, Total shareholder return (TSR), Return on Asset (ROA), Return on Equity (ROE), and Net Operating Profit After Tax (NOPAT). These factors have been used to illustrate the company's financial performance.

3.7.1. Dependent variables

The dependent variable in this current study is the CEO's income. The income packages of executives considered in this study are, fixed salaries, pensions, perks, bonuses, and employee benefits paid to directors. The dividends, returns, and surplus that executives earn as owners of shares of the company, are not included, due to the lack of data furnished by some banks in their annual reports. Since some banks have more than one chief executive officer (for example, Standard Bank), in order to improve the efficiency and accuracy of this current research, the researcher only used the information of the CEO with the highest remuneration from each bank:

CEO total remuneration = fixed pay + pensions + perks + bonuses + employee benefits

It is important to mention that the superannuation is categorized as part of fixed remuneration at some banks; however, there was no clear description of the proportion of the superannuation in the fixed pay from annual reports. In general, the superannuation should be regarded as employee benefits; therefore, the position change did not affect the CEO's total remuneration.

3.7.2. Independent variables

The researcher uses four performance indicators, as independent variables, to measure the company's financial performance. The four independent variables are, Total Shareholder Return (TSR), Return on Asset (ROA), Return on Equity (ROE), and Net Operating Profit after Tax (NOPAT).

3.7.2.1. Return on Asset (ROA)

The two major measures of a firm's profitability are the Return on Asset (ROA) and Return on Equity (ROE). The ROA provides information regarding the profit on average by each unit of the asset. Banks usually use the ROA as an indicator of the bank's operational efficiency (Burton, Lauridsen, & Obel, 2002). Previous researchers, who used the ROA as an indicator of firm performance were: Hassan and Theo (2003); Merhebi et al. (2006); Doucouliagos et al. (2007); and Naik (2016).

ROA= net profit after tax / total asset

3.7.2.2. Return on Equity (ROE)

The other major measure of a firm's profitability is the Return on Equity (ROE), which measures a company's performance, by indicating how much profit a company generates with the shareholders' investment (Bezuidenhout, 2016). The higher the ROE, the higher the company's efficiency is, in generating profit from new investments. Previous researchers, who used the ROE as an indicator of firm performance were: Hassan and Theo (2003), Merhebi et al. (2006), Doucouliagos et al. (2007), and Zhou et al. (2011).

ROE= Net profit after tax / Total equity

3.7.2.3. Total shareholder returns (TSR)

The most effective measure for the creation of value is the Total Shareholder Return (TSR). The TSR measures the performance of the firms' various shares and stocks, over a period. It uses an annualized ratio, which indicates the amount of returns to the shareholder, expressed by integrating dividends paid, and the appreciated part of the share price. Previous researchers, who used the TSR as an indicator of firm performance were: Priem (2016), and Zhou et al. (2011).

TSR= (share price at the end-share price at the beginning + dividends paid) ÷ share price at the beginning x 100

3.7.2.4. Net Operating Profit after Tax (NOPAT)

The Net Operating Profit after Tax is the amount of profits that the firm makes after taxes, which could be distributed to the shareholders. NOPAT is a direct measurement tool that could be used to evaluate the value created by directors for all the shareholders. In addition, the NOPAT could be used, extensively, as the measurement of operating efficiency. When analysts use NOPAT to calculate the profitability of the company's operations, they do not need to consider the financing structure of the company (Investing answers, 2019). Bezuidenhout (2016) used this measure in his research.

NOPAT= net profit after tax + after tax interest expense - after tax interest income

3.8. Data collection

In this section, the researcher discusses the gathering of data.

3.8.1. Source and nature of data

For this current study, the researcher collected secondary data from the banks' annual reports and the information from the Stock Exchanges. By law, the listed company must disclose its annual report to the public (Otieno, 2011). Odainkey and Simpson (2013) also assert that annual reports, compiled by companies, are helpful instruments to ensure accountability. Many researchers and authors collected secondary data from annual reports, for example, Doucouliagos et al. (2007), Zhou et al. (2011), Scholtz & Smit (2012), Naik (2016), and Priem (2016). The research requested quantitative data (ROA, ROE, TSR, and NOPAT) to be collected from the financial statements of the annual reports. The CEOs' remuneration, and the directors' related information were

gathered from the narrations in the company's disclosed reports.

The Total Shareholder Return (TSR) was calculated by using the share prices and dividends, which were collected from the reports released by the Stock Exchanges. The relevant data for Return on Asset (ROA) and Return on Equity (ROE) were collected from the Statement of Financial Position, while the data of Net Operating Profit after Tax (NOPAT) was gathered from the Income Statement. The directors' remuneration were collected from the Directors, Supervisors and Senior Management statement.

One advantage of using secondary data, is that it is easy to obtain from a common information source (Otieno, 2011), which avoids the challenge of obtaining primary data. In most cases, the collection of secondary data is free, or moderately priced (Otieno, 2011), as well as suitable for use by students and researchers. Additionally, the use-value of secondary data is higher than raw data, since it has been classified by the standard pattern (Swatdikun, 2013). The resource requirements for collecting secondary data are much less than for the raw data; therefore, the degree of difficulty of collection is much less, as well (Swatdikun, 2013).

3.8.2. Data collection and Data collection process

The data used in this current research were obtained from the selected banks' websites. The data that were not available on the website were collected from the McGregor's Bureau of Financial Analysis data stream. For each of the selected banks, the researcher obtained the CEO's total remuneration package, the ROE, ROA, NOPAT, and the essential data required to calculate the TSR for the years 2007 to 2018. The researcher selected the 2007 to 2018 period, to determine whether the relationship between the executives' emoluments and the shareholders' value were affected by the 2008 global financial crisis.

The researcher set up a data matrix table (Table 3.1) in a Microsoft Excel application to

capture the data and calculate the ratios that needed to be analysed. In order to test the correlation between the dependent and independent variables, the researcher used formulas in the Excel spreadsheet to calculate the required ratios for the concept measures.

Table 3.1: Data matrix table used for this study

BANK NAME							
	ROE	ROA	TSR	NOPAT (Billion)	CEO Total Remuneration (Million)	Share price	Dividend
2006							
2007							
2008							
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							

3.9. Statistical methods

Regression analysis and correlation analysis are instruments that could be used to test the link between variables, as well as calculate the strength of the relationships (Wegner, 2012). The researcher used the Statistical Package for the Social Science Programme (SPSS), as well as

the Microsoft's Excel Data Analysis programme to set up the regression model and implement correlation analysis. The researcher used two methods to analysis the data in this current study, as depicted in Figure 3.1.

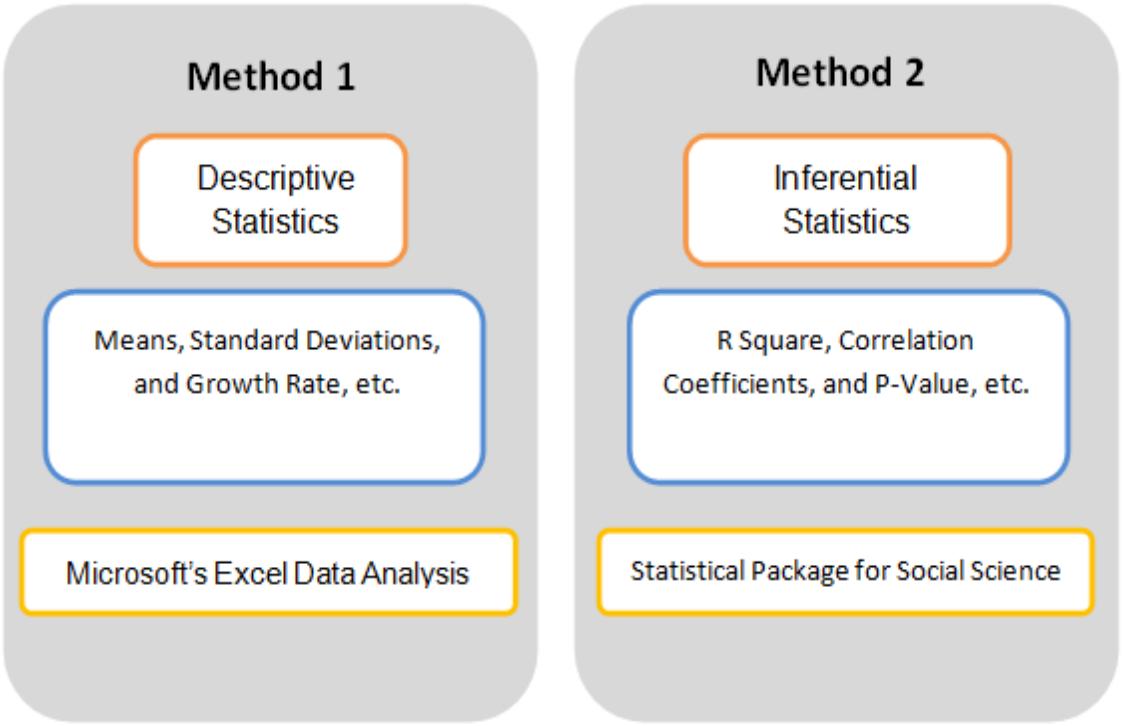


Figure 3.1: Analysis methods used for this study

3.9.1. Descriptive statistics

The researcher used descriptive statistics to analyse the variables. Mean, median, standard deviation (SD), Skewness, Kurtosis, growth rate, minimum data, and maximum data were used in method 1 to investigate the relationships from 2007 to 2018. Microsoft's Excel Data Analysis programme was used to compute the variance of the variables.

The mean has been used to determine the average value of all the banks, in each year, in order to analyse the variation tendency for the variables. Standard deviation measures the variability, or dispersion of a group of data, from the mean (Bland & Altman, 1996). A small standard deviation indicates that the data tend to be close to

the expected value (mean), while a large standard deviation indicates that the data tend to be far away from the expected value (Bland & Altman, 1996). Additionally, the growth rate was used to analyse the variation trend from year to year.

3.9.2. Inferential statistics

The researcher used the correlation coefficient (Multiple R), the coefficient of determination (r^2), and the p-value (Hypothesis testing for value significance) in the inferential statistics section to investigate the relationships between the CEOs' remuneration and the shareholders' value.

- Correlation coefficient: It measures the strength of the linear relationship between the relative movements of two variables x and y, and is represented by the sample r, when computed from sample data (Wegner, 2012). The proportion of r is always between -1 and 1. The interpretation is as Figure 3.2.

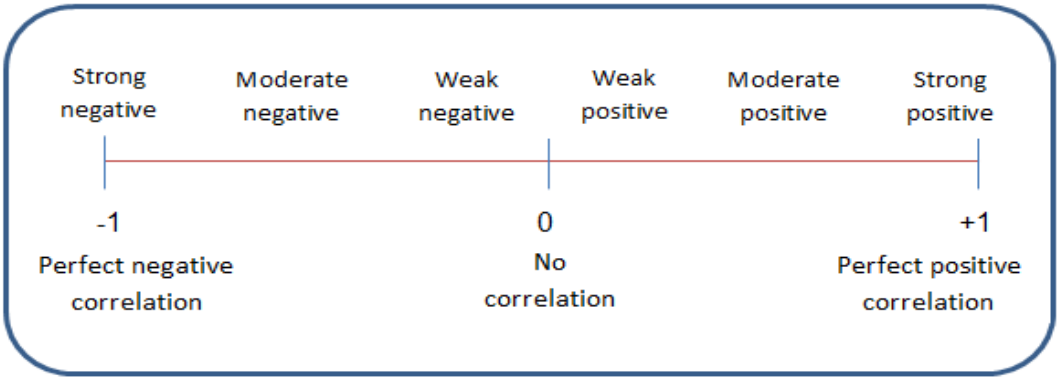


Figure 3.2: Correlation coefficient r

Resource: Wegner (2012)

- Coefficient of determination: The sample is r^2. It measures the ratio of variation in the dependent variable y, which is explained by the independent variable x (Wegner, 2012). R^2 is a significant indicator, because it scales how strongly x and y are related (Wegner, 2012). The weaker the relationship between x and y, the closer the r^2 is to 0%. The interpretation is as Figure 3.3.

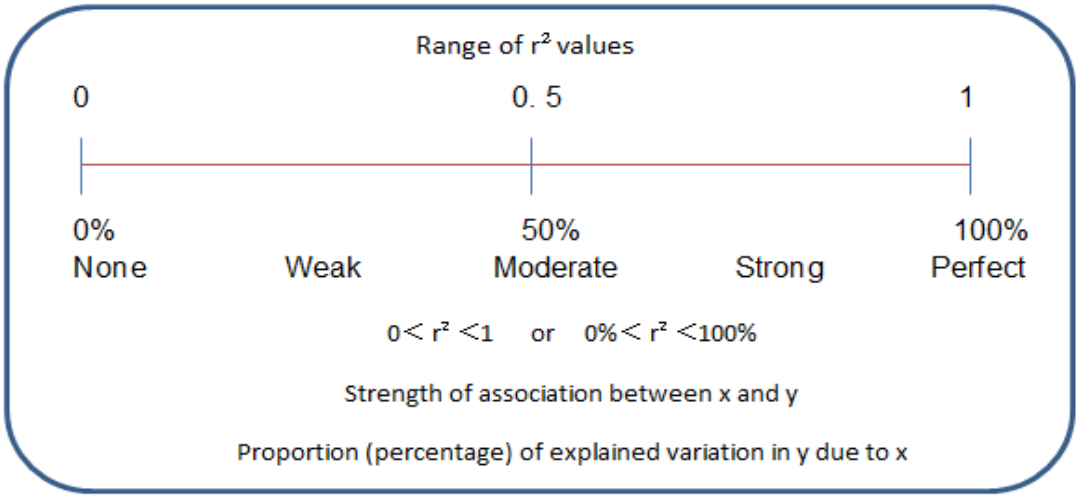


Figure 3.3: Coefficient of determination r²

Resource：Wegner (2012)

- The P-value approach to the hypothesis testing: The p-value is a probability that indicates whether the null hypothesis is true or false. Wegner (2012, p. 266) described the p-value as, "it is a probability that indicates how likely it is to observe the sample statistic (or a more extreme value) if the null-hypothesized population parameter value is assumed to be true". The author also described the interpretation of the p-value as: the smaller the p-value, the lower the evidence that the null hypothesis should be rejected; the larger the p-value, the higher the evidence that the null hypothesis should be accepted (Wegner, 2012, p. 266). The interpretation is as Figure 3.4.

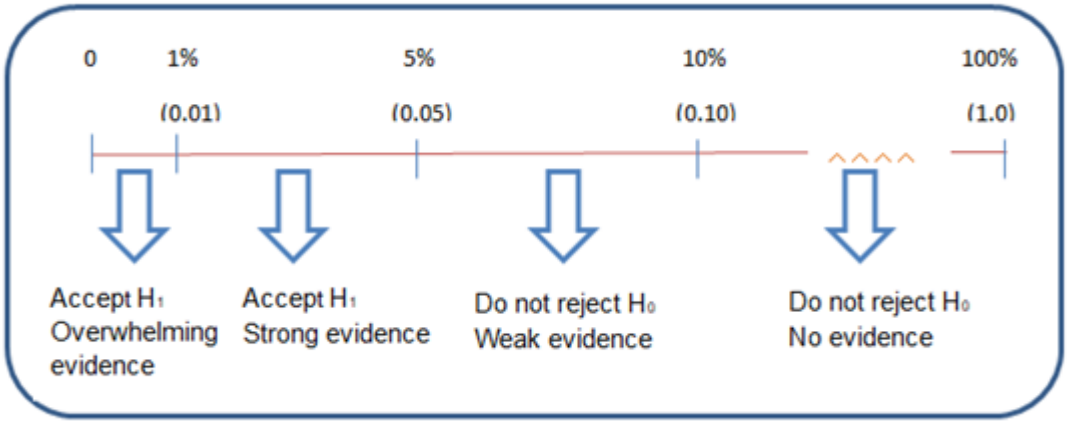


Figure 3.4: Decision rule for interpreting p-value (based on 5% level of significance)

Resource: Wegner (2012)

3.10. Summary

In this chapter, the researcher outlined the research methodology used in this current study, which was in line with previous research studies on the relationship between executives' pay and shareholders' value. In this study, the researcher adopts a longitudinal quantitative approach to ascertain whether compensation aligns with shareholders' value (firm performance) in the banking sector. The target population in this current study was listed banks in South Africa and China, and the sample for investigation was five established banks in South Africa and China, respectively. The researcher used the secondary data of banks' annual reports for the period of 2007 to 2018, to investigate the relationships. The company performance indicators used in this paper were ROE, ROA, NOPAT, and TSR. The CEO's total remuneration comprised fixed salaries, pensions, perks, bonuses and employee benefits.

In the next chapter, the researcher provides the results and findings of the study. The research questions will be discussed in detail, and the researcher provides recommendations regarding executives' compensation.

CHAPTER FOUR

RESEARCH FINDINGS

4.1. Introduction

In this chapter, the researcher presents the findings regarding the significance of the correlation between the CEO's remuneration and returns to shareholders over an eleven year period, beginning in 2007 and ending 2018. The researcher, objectively, discusses the data collected from the 10 holding banks, and makes recommendations regarding the CEO remuneration. Firstly, the researcher uses the descriptive statistics to describe the returns to shareholders and CEO income. The researcher starts with the discussion of each of the components of the business performance, and the correlation between each of the performance components with the remuneration, for each bank, and each of the eleven years. Subsequently, the researcher discusses the banks as a whole group, for each country, and seeks to determine the difference between the two countries. The analysis tool that the researcher uses in section one of this chapter, is the means, standard deviations, growth rate, and frequency.

Secondly, the researcher uses inferential statistics to describe the correlation, as well as the results of the correlation analysis. The researcher discusses the significant results of the multiple regression analysis of the influence of executive compensation on shareholders' returns for each country. The analysis tool used in section two is the R square, correlation coefficient, and p-value.

Lastly, the research question and sub-questions are discussed in section three of this chapter. The researcher correlates research questions with all the results discussed, and illustrated in sections one and two. Additionally, in this section, the researcher explains whether the null hypothesis of the main question should be accepted, or rejected.

4.2. Descriptive Statistics

In this current study, 10 holding banks have been selected as samples, from among all the South African and Chinese banks. The researcher set the research period for 11 years, which starts in 2007 and ends in 2018. Therefore, there were 110 (10 x 11) panel observations. The five selected South African banks were Absa Bank, Capitec Bank, First National Bank, Ned Bank, and Standard Bank. The selected Chinese Banks in this current research are China Merchants Bank, China Minsheng Bank, China CITIC Bank, Industrial Bank, and Shanghai Pudong Development Bank. Most banks had more than one CEO working during the same period; therefore, the researcher only used the data of the CEO with the highest remuneration, at each bank, as the object of this current study.

The descriptive statistics section starts with a brief description of each of the components of the firm performance, and the relationship between each of the performance components, with the remuneration for each bank. The eleven years have been split into three stages: before the financial crisis (2007 to 2008), during the financial crisis (2008 and 2009), and after the financial crisis (after 2009). This is followed by the discussion on the combined data for each country. The researcher merged the data of banks from the same country, and analyses them as an entire organization.

4.2.1. Changes for each bank

China Merchants Bank

a. ***Period 1: Before the financial crisis (2007 to 2008)***: In Table 4.1, the researcher indicates that only TSR decreased during the eve of the financial crisis period. ROE, ROA, and NOPAT, all displayed an escalating tendency, specifically, the NOPAT increased by 35% from ￥ 40.96 billion in 2007, to ￥ 55.31 billion in 2008. With the increase in the ROE, ROA, and NOPAT, the remuneration also increased, by 52%, from ￥5.2 million in 2007, to ￥7.9 million in 2008.

b. ***Period 2: During the financial crisis (2008 to 2009):*** In Table 4.1, the researcher indicates that, unlike the performance growths on the eve of the 2008 financial crisis period, the ROE, ROA, and NOPAT, all decreased during the crisis. The ROA decreased by 32%, from 1.46% in 2008 to 1.00% in 2009. Additionally, the CEO remuneration also decreased, from ￥7.9 million to ￥5.31 million in one year.

c. ***Period 3: After the financial crisis (after 2009):*** In Table 4.1, the researcher indicates that the 2010 CEO remuneration for China Merchants Bank remained the same as the previous year, even though all the performance indicators displayed positive increase rates (except the TSR). The ROE and ROA displayed increasing trends after 2009; however, both plummeted in 2013, which caused a lowest CEO remuneration rate in the eleven years (￥3.5 million).

d. ***Overall changing tendency:*** In Table 4.1, the researcher indicates that the ROE decreased by 33% in the eleven years, from 24.76% in 2007, to 16.57% in 2018; the ROA decreased by 9%, from 1.36% in 2007, to 1.24% in 2018; and the remuneration also showed a decreasing tendency, from ￥5.2 million in 2007, to￥4.69 million in 2018. NOPAT was the only performance indicator that displayed an increasing trend, rocketing from ￥40.96 billion in 2007, to ￥248.6 billion in 2018.

China Minsheng Bank

a. ***Period 1: Before the financial crisis (2007 to 2008)***: ROA and NOPAT increased during the period of 2007 to 2008; however, both the ROE and TSR decreased (Table 4.1). The decrease in the ROE, and the share price, seems to have affected remunerations; therefore, the CEO remuneration declined rapidly, from ￥17.5 million in 2007, to ￥11.4 million in 2008.

b. ***Period 2: During the financial crisis (2008 to 2009):*** All the performance indicators displayed increasing values between 2008 and 2009, specifically, the ROE increased by 33%, and the NOPAT by over 50%. However, the CEO remuneration decreased, even though the financial performance increased.

c. ***Period 3: After the financial crisis (after 2009):*** The remuneration in 2010 remained the same as 2009. The ROE and ROA displayed an increase at first, and thereafter, a decreasing tendency.

d. ***Overall changing tendency:*** The ROE and ROA displayed a decreasing tendency between 2007 and 2018; however, the value of the ROE reached the highest point of 25.2% in 2012, while the ROA peaked in 2011 and 2013, with 1.3%. The NOPA displayed a steady growth trend until the peak in 2017 (￥50.92 billion), decreasing in the following year. CEO remuneration for Minsheng Bank displayed a steady decreasing trend, from ￥17.5 million in 2007, to￥4.8 million in 2018. However, the remuneration value displayed an upwards erratic fluctuation during 2012, as ￥5.5 million total remuneration was paid to the CEO in that year.

China CITIC Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** In Table 4.1, the researcher indicates that CEO remuneration followed a decreasing trend, while the performance indicators, ROE, ROA, and NOPAT, increased in 2008. The TSR was the only indicator that allied to the change direction of the value of the CEO remuneration. The TSR decreased and displayed a negative value of -61% in 2008, which implies that the value of share price shrunk in 2008.

b. ***Period 2: During the financial crisis (2008 to 2009):*** Unlike the increasing trend in 2008, the value of the ROA and ROE decreased by more than 10% during the crisis. The NOPAT still displayed an increasing tendency; however, the growth rate decreased from 61% (2007 to 2008) to 9% (2008 to 2009). The

remuneration in 2009 remained the same as 2008. However, according to the TSR value (115%), obviously, the share price value in 2009 was much higher than the previous year.

c. ***Period 3: After the financial crisis (after 2009):*** According to the Table 4.1, after the financial crisis, the ROE and ROA displayed a sustainable growth tendency, and peaked in 2011; however, both started to decrease thereafter. The decreasing rate of remuneration reached its peak in 2011, having decreased nearly 57%, when compared with the same period in the previous year.

d. ***Overall changing tendency:*** The overall performance tendency of the China CITIC Bank was a progressive decrease; only NOPAT displayed an increasing trend. The ROE value reached the lowest rate of 11.39% in 2018, while the ROA reached the lowest rate of 0.74% in 2017. The CEO remuneration also reached the lowest rate of ￥1.57 million in 2017, and remained static in the following year.

Industrial Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** According to Table 4.1, all the performance indicators revealed growth tendencies, except TSR. However, the remuneration displayed no changes from 2007 to 2008.

b. ***Period 2: During the financial crisis (2008 to 2009):*** The remuneration increased by 1% in 2009, while the NOPAT increased by 17%. However, both of ROA and ROE displayed a decreasing trend, with the ROA decreasing by 7%, and the ROE by 6% in 2009.

c. ***Period 3: After the financial crisis (after 2009):*** After the crisis, both the performances and remuneration increased in the year 2010. The NOPAT increased by 39% in 2010. However, the lowest ROE and ROA values appeared after the crisis, with the lowest ROE of 14.28% in 2018, and the lowest ROA of 0.92% in 2017.

d. ***Overall changing tendency:*** Similar to the China Merchants Bank, the highest ROE and ROA value for the Industrial Bank appeared in 2012, with the value of the ROE at 26.65%, and the ROA at 1.23%. In 2012, the growth rate for the CEO's remuneration also reached the highest value, increasing by 9% (￥3.62 million). After 2012, the ROE, ROA, and remuneration value started to decrease. Consequently, the overall changing tendency for the Industrial Bank was a wavy decline.

Shanghai Pudong Development Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** The ROE, ROA and NOPAT all increased in 2008. The ROE increased by 83%, from 20.10% in 2007, to 36.71% in 2008. Additionally, the NOPAT increased approximately 1.5 times during 2008. However, the TSR displayed a negative value in 2008, and the CEO remuneration also decreased in the same year.

b. ***Period 2: During the financial crisis (2008 to 2009):*** The ROE and ROA decreased during the financial crisis; however, the decreased value in 2009 was still higher than the value of 2007. The remuneration remained unchanged during the crisis, at ￥1.76 million.

c. ***Period 3: After the financial crisis (after 2009):*** After the crisis, the ROE displayed a decreasing value in 2010, and subsequently, increased in the following three years, until 2014, after which it started to decrease again. The ROA had a similar trend as the ROE; it also displayed a wavy declining tendency. The remuneration reached its highest value (￥2.1 million) in 2013, when the ROE also reached its highest rate of 21.53%.

d. ***Overall changing tendency:*** The overall tendency of the ROE and ROA value was a decline; however, the value reached the peak point for some years between the duration, and the lowest ebb in the last two years. Therefore, the variation of performances was fluctuant descending.

ABSA Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** In Table 4.2, the researcher indicates that, in 2008, the ROE and the ROA performed worse than in 2007. The ROE decreased by 14% and the ROA, by 18.5%. However, the remuneration increased, as did the NOPAT.

b. ***Period 2: During the financial crisis (2008 to 2009):*** All the performance indicators displayed a decreasing trend during this period. The ROE dropped by nearly 40%, from 23.4% in 2008, to 15.5% in 2009. The ROA also declined by 25.5%, from 1.37% in 2008, to 1.02% in 2009. The NOPAT decreased by more than 25%, from R10.025 billion in 2008, to R7.5 billion in 2009. Moreover, the total package of the CEO's remuneration in ABSA also shrunk, from R22.36 million in 2008, to R18.76 million in 2009.

c. ***Period 3: After the financial crisis (after 2009):*** Performances started to improve in 2010, when all the indicators displayed a positive growth tendency, except the ROE. The executive remuneration also increased in 2010 and 2011.

d. ***Overall changing tendency:*** The ROE displayed a decreasing trend over the research period of 2007 to 2018, declining by 62% in 11 years. Similarly, the ROE and ROA also showed a declining tendency over this period. The ROE declined by 61%, from 27.20 in 2007 to 10.40 in 2018, while the ROA decreased by 54%, from the highest of 1.68% in 2007, to the lowest of 0.77% in 2018. The NOPAT hardly changed during the period of 2007 to 2018. Unlike the decrease of the ROA and ROE, the CEO remuneration increased steadily over the 11 years.

Capitec Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** The ROE and ROA declined during this period; however, the NOPAT increased by over 37%, from R0.17 billion in 2007, to R0.23 billion in 2008. The CEO remuneration also

increased during this period, from R4.53 million in 2007, to R4.96 million in 2008.

b. ***Period 2: During the financial crisis (2008 to 2009):*** Unlike the economic depression at other banks, the ROE and NOPAT financial performance indicators of Capitec displayed an increasing trend during the global financial crisis. Additionally, the executive's pay and share price in 2009 was also higher than in 2008.

c. ***Period 3: After the financial crisis (after 2009):*** Similar to the period during the financial crisis, the ROE and NOPAT financial performance indicators of Capitec also increased after the crisis. The CEO's remuneration increased by 75.5%, from R5.1 million in 2009, to R8.95 million in 2010.

d. ***Overall changing tendency:*** Capitec Bank performed favourably during the crisis period. The tendency of the ROE displayed an N-shaped change, increasing from the lowest rate of 22% in 2008, to the highest rate of 34% in 2011. Thereafter it decreases to 23% in 2014, and increases again until reaching 27% in 2017. The ROA displayed a gradual declining trend, with its highest value in 2007 (11.1%) and the lowest rate in 2016 (4.8%). The NOPAT displayed an escalating trend during the eleven years, from its lowest level in 2007, to the highest level in 2018. The CEO's remuneration also displayed an increasing tendency, peaking at the highest point in 2018, from its lowest in 2007.

First National Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** The ROE, ROA, and the CEO's compensation, all decreased from 2007 to 2008. The only positive performance was the NOPAT, which increased by 29%, from R5.4 billion to R7 billion.

b. ***Period 2: During the financial crisis (2008 to 2009):*** All performance indicators displayed a negative growth, during the financial crisis period. The ROE decreased by 36%, the ROA decreased by 45%, and NOPAT declined by 44.2%, while remuneration reached its lowest rate of R9.9 million.

c. ***Period 3: After the financial crisis (after 2009):*** After the financial crisis, FNB recovered its growth promptly. All the performance indices displayed positive growth in 2010, with the ROA rising by 62%. Additionally, the CEO's pay escalated by 99.7%, from R9.9 million in 2009, to R19.8 million in 2010.

d. ***Overall changing tendency:*** The financial crisis impacted FNB significantly, as all the performance indicators reached their lowest value in 2009. Simultaneously, the CEO of FNB also received the lowest compensation, during in this period.

Nedbank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** According to the Table 4.2, all performances and remuneration decreased during this period, except for the NOPAT. The revenue of Ned bank was severely impacted by the crisis during this period.

b. ***Period 2: During the financial crisis (2008 to 2009):*** The ROE, ROA, and NOPAT continued to perform badly during this period. The share price increased in 2009, after falling in 2008; therefore, the TSR displayed a positive value in 2009, and remuneration also increased during 2009.

c. ***Period 3: After the financial crisis (after 2009):*** The ROA displayed a slow increase after 2009. However, during 2010, the NOPAT reached its lowest value, while the ROE remained unchanged, and the CEO's remuneration dropped by nearly 15%, from R14.6 million in 2009, to R12.46 million in 2010.

d. ***Overall changing tendency:*** The ROA initially displayed a descending tendency, ascending in the last, between 2007 and 2018, with the lowest in 2008 (1.09%), and the highest in 2018 (1.33%). The NOPAT also displayed a decreasing tendency, firstly, and increased as time passed. The lowest NOPAT value was R5.136 billion in 2010, and the highest, R12.3 billion in 2017, implying that it had more than doubled in the last 7 years. However, compared with 2007 (R11.8 million), the CEO's remuneration had also doubled in 2018 (R24.6 million). The ROE hardly changed during the period of 2007 to 2018.

Standard Bank

a. ***Period 1: Before the financial crisis (2007 to 2008):*** The NOPAT increased slightly from R16.6 billion in 2007 to R16.7 billion in 2008. All the other performances displayed a decreasing tendency, while the CEO's remuneration also declined considerably, from R18.6 million to R14 million in a year.

b. ***Period 2: During the financial crisis (2008 to 2009):*** Unlike the increase in period 1, the NOPA displayed a marked decrease in this period, which slipped by 28% from R16.7 billion in 2008 to R12 billion in 2009. The rest of the performance indicators still displayed downward trends.

c. ***Period 3: After the financial crisis (after 2009):*** The ROE still displayed a decreasing trend in 2010, while all the other performance indicators had varying degrees of growth after 2009, including the CEO's remuneration.

d. ***Overall changing tendency:*** The ROE reached its highest value in 2007, and dramatically declined during 2008 and 2010. Thereafter, the ROE started to grow in a slow and fluctuant manner. The performance tendency of NOPAT declined during the crisis period, increasing in recent years. The ROA had hardly changed through the period from 2007 to 2018. The CEO's remuneration dropped to its lowest in 2009 (R8.5 million), and gradually increased to the highest value in 2018 (R37.88 million).

Table 4.1: Chinese banks' performance and CEO remuneration (2007 to 2018)

BANK	YEAR	ROE	ROA	TSR	NOPAT ¥billion	Remuneration ¥million
China Merchants Bank	2007	24.76%	1.36%	144%	40.96	5.20
	2008	28.58%	1.46%	-68%	55.31	7.89
	2009	21.17%	1%	50%	51.45	5.31
	2010	22.73%	1.15%	-27%	71.38	5.31
	2011	24.17%	1.39%	-4%	96.16	5.35
	2012	24.78%	1.46%	21%	113.37	4.75
	2013	22.22%	1.39%	-16%	132.60	3.50
	2014	19.28%	1.28%	58%	165.86	4.75
	2015	17.09%	1.13%	13%	201.47	4.75
	2016	16.27%	1.09%	2%	209.00	4.75
	2017	16.54%	1.15%	70%	220.90	5.22
	2018	16.57%	1.24%	-10%	248.60	4.69
China CITIC Bank	2007	12.70%	0.97%	11%	8.29	5.51
	2008	14.84%	1.21%	-61%	13.32	4.96
	2009	12.71%	0.94%	115%	14.56	4.96
	2010	19.24%	1.13%	-36%	21.78	4.96
	2011	21.07%	1.27%	-20%	30.84	2.12
	2012	16.70%	1.10%	10%	31.39	2.35
	2013	18.48%	1.20%	-4%	39.72	2.50
	2014	16.84%	1.07%	110%	41.45	1.98
	2015	14.55%	0.90%	-9%	41.74	2.14
	2016	12.58%	0.76%	-8%	41.79	2.60
	2017	11.67%	0.74%	1%	42.88	1.57
	2018	11.39%	0.77%	-8%	45.38	1.57

Industrial Bank	2007	25.34%	1.17%	110%	8.586	2.750
	2008	26.06%	1.22%	-71%	11.385	2.750
	2009	24.54%	1.13%	180%	13.282	2.785
	2010	24.64%	1.16%	-39%	18.521	3.040
	2011	24.67%	1.20%	-46%	25.597	3.314
	2012	26.65%	1.23%	38%	34.927	3.615
	2013	22.39%	1.20%	-36%	41.511	3.615
	2014	21.21%	1.18%	68%	47.53	3.254
	2015	18.89%	1.04%	7%	50.65	0.936
	2016	17.28%	0.95%	-2%	54.327	1.003
	2017	15.35%	0.92%	9%	57.735	1.003
	2018	14.28%	0.93%	-8%	61.245	1.054
Shanghai Pudong Develop-ment Bank	2007	20.10%	0.60%	148%	5.498	2.200
	2008	36.71%	0.96%	-75%	12.516	1.760
	2009	25.86%	0.81%	65%	13.215	1.760
	2010	23.27%	0.88%	-42%	19.179	1.500
	2011	20.07%	1.02%	-30%	27.355	1.500
	2012	20.95%	1.09%	20%	34.311	2.078
	2013	21.53%	1.12%	1%	41.2	2.099
	2014	21.02%	1.13%	73%	47.36	2.099
	2015	18.82%	1.01%	21%	50.997	2.099
	2016	16.35%	0.92%	-8%	53.678	0.920
	2017	14.45%	0.90%	-21%	55	1.095
	2018	13.14%	0.91%	8%	56.5	1.059

China Minsheng Bank	2007	18.23%	0.69%	46%	6.335	17.486
	2008	15.23%	0.75%	-72%	7.893	11.366
	2009	20.2%	0.9%	95.6%	12.108	7.1548
	2010	18.3%	1.0%	-35.3%	17.688	7.1548
	2011	24.0%	1.3%	23.3%	28.443	5.1625
	2012	25.2%	1.2%	36.0%	38.308	5.5023
	2013	23.2%	1.3%	-0.5%	43.282	5.3063
	2014	20.4%	1.1%	42.4%	45.567	4.1939
	2015	17.0%	1.0%	-9.9%	47.022	4.4835
	2016	15.1%	0.8%	-4.1%	48.778	4.5737
	2017	14.0%	0.9%	-6.6%	50.922	4.4681
	2018	12.9%	0.9%	-27.6%	50.33	4.4708

Table 4.2: SA banks' performance and CEO remuneration (2007 to 2018)

BANK	**YEAR**	**ROE**	**ROA**	**TSR**	**NOPAT** R billion	**Remuneration** R million
ABSA Bank	2007	27.20%	1.68%	-23.64%	8.266	18.77
	2008	23.40%	1.37%	-10.78%	10.025	22.36
	2009	15.50%	1.02%	5.24%	7.502	18.76
	2010	15.10%	1.12%	-2.47%	8.589	19.56
	2011	16.40%	1.31%	2.71%	10.184	20.7
	2012	14.10%	1.17%	3.07%	7.482	16.66
	2013	15.50%	1.08%	-3.11%	8.735	28.65
	2014	16.90%	1.08%	-9.69%	9.3	28.57
	2015	17.6%	1.11%	-8.88%	10.047	28.21
	2016	16.3%	1.06%	8.62%	9.919	29.51
	2017	11.8%	0.91%	-10.06%	8.477	37.96
	2018	10.40%	0.77%	3.76%	8.022	29.70

Capitec Bank	2007	26.0%	11.1%	19.4%	0.167	4.53
	2008	22.0%	11.0%	-23.1%	0.229	4.96
	2009	27.0%	9.2%	163.7%	0.319	5.1
	2010	32.0%	6.8%	122.0%	0.449	8.95
	2011	34.0%	6.5%	5.5%	0.656	11.16
	2012	29.0%	6.6%	8.3%	1.094	10.52
	2013	27.0%	6.5%	9.3%	1.5	10.8
	2014	23.0%	6.0%	62.2%	2	9.052
	2015	25.0%	6.0%	66.5%	2.6	8.7
	2016	27.0%	4.8%	30.3%	3.2	12.913
	2017	27.0%	5.3%	59.1%	3.8	13.58
	2018	27.0%	7.2%	-2.2%	4.471	56.6
First Rand Bank	2007	31.00%	2.00%	-4.23%	5.388	16.453
	2008	21.00%	1.40%	-20.90%	6.961	15.4
	2009	13.53%	0.77%	15.21%	3.886	9.9
	2010	20.30%	1.25%	8.72%	5.57	19.769
	2011	18.80%	1.29%	8.66%	7.986	23.543
	2012	21.60%	1.84%	52.27%	9.717	22.481
	2013	22.40%	1.48%	18.39%	11.038	26.039
	2014	21.90%	1.51%	43.61%	12.513	29.49
	2015	22.90%	1.69%	-13.90%	15.453	33.42
	2016	23.00%	1.75%	28.27%	17.57	43.58
	2017	22.20%	1.71%	29.04%	18.326	46.34
	2018	23.40%	1.76%	-0.36%	20.404	49.4

NEDBANK Bank	2007	21.40%	1.30%	4.67%	6.641	11.8
	2008	17.70%	1.09%	-27.95%	7.004	10.4
	2009	11.80%	0.76%	34.13%	5.412	14.6
	2010	11.80%	0.82%	6.55%	5.136	12.46
	2011	13.60%	0.99%	11.76%	6.503	15.68
	2012	14.80%	1.13%	33.76%	7.812	17.75
	2013	15.60%	1.23%	13.49%	8.957	19.53
	2014	15.80%	1.27%	18.62%	10.188	22
	2015	15.70%	1.25%	-20.05%	11.162	22.93
	2016	15.30%	1.23%	29.28%	10.659	22.281
	2017	15.30%	1.22%	10.19%	12.299	21.925
	2018	16.80%	1.33%	9.63%	10.781	24.575
Standard Bank	2007	26.70%	2.01%	12.97%	16.572	18.63
	2008	19.10%	1.53%	-19.00%	16.749	14.1
	2009	13.70%	1.44%	25.22%	11.996	8.5
	2010	12.70%	1.48%	7.84%	13.007	14.9
	2011	14.30%	1.96%	-5.90%	15.784	27.24
	2012	14.20%	2.30%	23.26%	19.411	24.05
	2013	14.10%	3.14%	10.91%	15.755	28.8
	2014	12.90%	2.05%	13.18%	18.145	24.76
	2015	15.60%	2.41%	-18.53%	25.36	31.68
	2016	15.30%	2.48%	36.97%	25.794	32.87
	2017	17.10%	2.66%	31.84%	30.715	34.03
	2018	18.00%	2.45%	-6.01%	32.643	37.88

4.2.2. Changes of Total Data Set

In the previous section, the variation for each Bank's CEO remuneration and performance indicators of the 10 banks for the period 2007 to 2018 were illustrated. Subsequently, the total data set over the eleven-year period is discussed in this section. The researcher describes CEO remunerations and firm performance, separately. Table 4.3 contains a component summary for company performance and CEO remunerations, with 110 observations between 2007 and 2018.

Table 4.3: Descriptive statistics for company performance components and CEO remuneration

	TOOL	ROE	ROA	TSR	NOPAT	REMUNERATION
China	Mean	0.196	0.0106	0.132	53649216666.67	3821608.00
	Median	0.193	0.0109	0.0005	41763000000.00	3407050.00
	SD	0.049	0.0020	0.557	53579503747.23	2704205.99
	Minimum	0.114	0.0060	-0.746	5498000000.00	920000.00
	Maximum	0.367	0.0146	1.795	248600000000.00	17486200.00
	Skewness	0.63	-0.08	0.97	2.28	2.56
	Kurtosis	0.94	-0.50	0.87	4.93	10.65
South Africa	Mean	0.195	0.026	0.146	10105500000	21757683.33
	Median	0.177	0.015	0.087	8846000000	20234500
	SD	0.058	0.025	0.323	7225361408	11175221.26
	Minimum	0.104	0.008	-0.280	167000000	4530000
	Maximum	0.340	0.111	1.637	32643000000	56600000
	Skewness	0.59	1.94	2.36	1.09	0.89
	Kurtosis	-0.56	3.09	8.27	1.41	0.87

4.2.2.1. Company performance components

ROE: According to Table 4.3, the mean ROE for Chinese banks and South African banks had similar resultant values, which were 0.196 and 0.195. The median ROE for Chinese banks was 0.193, and for South African banks was 0.177, which were both lower than their mean; therefore, the distribution of data is skewed to the right. South African banks' ROE standard deviation was higher than the Chinese banks, which implies that the group of data for South African banks was more spread out from the mean. The difference between the minimum and maximum value of the South African Banks was 0.236 (0.34-0.104), which was lower than the Chinese banks value 0.253 (0.367-0.114). Therefore, the ROE gap between South African banks was smaller than Chinese banks. Both Chinese banks and South African banks had positive skewness values, which implies that they were not normally distributed, and most of the banks' ROE data were less than the mean value. According to Jondeau and Rockinger (2003), the normal distribution has a fixed kurtosis value 3; therefore, when the value is greater than 3, the distribution is longer and tails are fatter than the normal distribution, the distribution is shorter, and tails are thinner can be signified by the less than 3 kurtosis value. Both Chinese and South African banks had values smaller than 3, therefore, their distributions all had lighter tails and flatter peaks than the normal distribution.

ROA: In Table 4.3, the ROA for Chinese banks was 0.0106, and for South African banks was 0.026. The median value of Chinese banks was higher than the mean, and the skewness values was lower than 0; therefore, the distribution of data was skewed to the left. The Kurtosis value of Chinese banks was smaller than 3; therefore, the distribution had lighter tails and flatter peaks than the normal distribution. However, The South African banks' median value was less than the mean. The skewness values were lower than 0, and the courthouse was

higher than 3. The distribution of data, therefore, was longer, the tails were fatter than the normal distribution, and the tail of the left side of the distribution was longer or fatter than the tail on the right side. The ROA standard deviation of the South African bank group was higher than the Chinese bank group, which implies that the group of data was more spread out from their mean values. The difference between the maximum value and minimum value of Chinese banks was 0.009, and South African banks was 0.103. This indicates that the ROA gap between South African banks was higher than Chinese banks.

TSR: The mean TSR for South African banks (0.146) was higher than Chinese banks (0.132). The median TSR of South African banks was also higher than the Chinese banks, and the medians of both countries' banks were lower than their mean value. Additionally, the skewness for both was higher than zero; therefore, the distribution data were all skewed to the right. The kurtosis value of the South African bank group was much higher than 3; therefore, the distribution was longer, and the tails were fatter than the normal distribution. The kurtosis value of the Chinese bank group was less than 3; therefore, the distribution was shorter and tails were thinner than the normal distribution. The South African banks had a lower standard deviation, which implied that the TSR data of each bank, and each year, were close to the mean value of the combination of five banks. The Chinese banks' standard deviation was much higher than South African banks; therefore, the group of data for Chinese banks was more spread out from their mean values. The difference between the maximum value and minimum value of Chinese banks was 2.541, and South African banks, 1.916. This indicates the TSR gap between Chinese banks was higher than the South African banks.

NOPAT: The mean NOPAT for the five Chinese banks was ¥53649216666.67. The median NOPAT for Chinese banks was ¥41763000000.00, which was less

than the mean. The skewness was higher than zero and kurtosis was greater than three; therefore, it could be concluded that the distribution was longer, and the tails were fatter than the normal distribution, while the distribution of data was skewed to the right. The standard deviation of Chinese banks' NOPAT was ￥53579503747.2326. The maximum NOPAT value of Chinese banks was 45 times the minimum, while, in South Africa, the maximum value was 195 times the minimum. The mean value of the South African banks was R10105500000, and the median value was R8846000000. The median value for South African banks was also lower than the mean value. The skewness was higher than zero and kurtosis was smaller than three; therefore, the distribution of data was skewed to the right. Additionally, the distribution was shorter and tails were thinner than the normal distribution. The standard deviation of South African banks' NOPAT was R7225361407.88655.

4.2.2.2. CEO remuneration

The data reveal that the mean CEO remuneration of Chinese banks for the period 2007 to 2018 was ￥3821608.00. The median CEO remuneration of Chinese banks was ￥3407050. Therefore, the median value of Chinese banks' CEO remuneration was lower than the mean value. The standard deviation for the Chinese bank group was ￥2704205.98536002. In Table 4.3, the mean CEO remuneration of South African banks for the period 2007 to 2018 was R21757683.33. The median of South African banks was R 20234500. The median value of South African banks' CEO remuneration was also lower than the mean value. The standard deviation for the South African bank group was ￥11175221.26.

According to Table 4.3, the minimum CEO remuneration for Chinese banks was

￥920000, and the maximum was ￥17486200. The maximum salary was 19 times higher than the minimum salary. The maximum CEO remuneration for South African banks was R56600000, and the minimum remuneration was R4530000. The maximum salary was 12 times higher than the minimum recompense. Therefore, it is obvious that the wage dispersion in China was worse than in South Africa.

The skewness for Chinese banks was 2.56, and for South African banks, 0.89. This suggested that the data were all skewed to the right. In addition, from Table 4.3, it was evident that the Chinese banks were highly skewed, while the South African banks were slightly skewed. The kurtosis for the Chinese bank group was much higher than 3; therefore, the distribution was longer, and the tails, fatter than the normal distribution. However, the peak was higher and sharper than mesokurtic (kurtosis=3). The South African bank group had a catharsis value lower than 3; therefore, the distribution was shorter, tails were thinner, and the peak was lower, and broader than mesokurtic.

The above statistics could not indicate a definite relationship between the CEO's remuneration and the financial performance of banks; therefore, further analysis was required to test the availability of the premier statistics. Consequently, the regression analysis was used to find further evidence to verify the relationship between the CEO's remuneration and firm performance, as well as explore the strength of the relationship between salary and performance.

4.3. Inferential Statistics

The regression analysis was used to assess the significance of the correlation between the CEO's income and returns to shareholders over the eleven years (2007 to 2018). In Chapter one of this current study, the researcher made the following assumption: CEO's compensation

is not aligned to shareholder wealth creation (null hypothesis). Therefore, the multiple regression analysis was used to validate whether the null hypothesis should be rejected, or accepted. The eleven years were divided into three periods, namely: before the financial crisis (2007 to 2008); during the financial crisis (2008 and 2009); and after the financial crisis (after 2009). The researcher describes each of the three periods, as well as the whole researching period (from 2007 to 2018) for the two countries' banks in this chapter.

4.3.1 China

4.3.1.1 Split periods: Period 1 (2007 to 2008) – Before the financial crisis

The outputs presented in Table 4.4, results from using CEO remuneration (y variable) as the dependent variable and four company performance components (x variable) as independent variables. The Multiple R of 0.661 suggests a moderate positive correlation (r^2 = 43.7%), indicating a weak to moderate explanation of the percentage variation in CEO remuneration that could be attributed to company performance indicators. The p-value of 49.8% is between 10% and 100% suggesting that the null hypothesis should be accepted. The significant p-value for each of the firm performances is between 10% and 100%; therefore, none of the performances had significant influences on the CEO compensation for Chinese banks, during the period of 2007 to 2008.

4.3.1.2 Split periods: Period 2 (2008 to 2009) –During the financial crisis

The outputs presented in Table 4.5, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.716 suggests a moderate positive correlation (r^2 = 51.3%), indicating a moderate explanation of the percentage variation in CEO remuneration that can be attributed to company performance indicators, and a p-value of 0.378 is between 10% and 100%, suggesting the null hypothesis should be accepted. The significant p-value for

each of the firm performances is between 10% and 100%; therefore, none of the performance has significant influences on the CEO compensation for Chinese banks during the period of 2008 to 2009.

4.3.1.3 Split periods: Period 3 (2009 to 2018) – After the financial crisis

The outputs presented in Table 4.6, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.422 suggests a weak positive correlation ($r^2 = 0.178$), indicating a weak explanation of the percentage variation in CEO remuneration that can be attributed to company performance indicators. The p-value of 6% is greater than 5%, which suggests that the null hypothesis should be accepted. The significant p-value for each of the firm performances is higher than 5%; therefore, none of the performances has a significant influence on the CEO compensation for Chinese banks after the financial crisis.

4.3.1.4 Split periods: Total Period (2007 to 2018)

The outputs presented in Table 4.7, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.051 suggests a weak positive correlation ($r^2 = 3\%$), indicating a weak explanation of the percentage variation in CEO remuneration that can be attributed to company performance indicators. The p-value of 99.8% is >5%, suggesting the null hypothesis should be accepted. The significant p-value for NOPAT is < 5%, suggesting that the NOPAT has a significant influence on the CEO remuneration. All the other performance components are higher than 5%, which indicates that they have no significant influence on the CEO performance.

4.3.2. South Africa

4.3.2.1 Split periods: Period 1 (2007 to 2008) – Before the financial crisis

The outputs presented in Table 4.8, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.907 suggests a strong positive correlation (r^2 = 82.3%), indicating a strong explanation of the percentage variation in CEO remuneration that could be attributed to company performance indicators. The p-value of 4% is $<$5% suggesting that the null hypothesis should be rejected.

4.3.2.2 Split periods: Period 2 (2008 to 2009) – During the financial crisis

The outputs presented in Table 4.9, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.804 suggests a strong positive correlation. R^2 indicates that 64.6% of the variation in CEO remuneration can be explained by firm performance indicators. The p-value of 19.5% is greater than 5%, suggesting that the null hypothesis should be accepted. Additionally, all the performance components have a greater than 5% significant value, which indicates that they have no significant relationship with the CEO remuneration.

4.3.2.3 Split periods: Period 3 (2009 to 2018) – After the financial crisis

The outputs presented in Table 4.10, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.713 suggests a moderate to a strong positive correlation. R^2 indicates that 50.9% of the variation in CEO remuneration could be explained by firm performance indicators. The p-value is less than 5%, suggesting that the null hypothesis should be rejected. Except for the ROA, all the other company performance components are

significant at the 5% level; therefore, TSR has a negative relationship with CEO remuneration, and the other performances have positive relationships.

4.3.2.4 Split periods: Total Period (2007 to 2018)

The outputs presented in Table 4.11, results from using CEO remuneration (y variable) as the dependent variable, and four company performance components (x variable) as independent variables. The Multiple R of 0.654 suggests a moderate positive correlation (r^2 = 0.427), indicating a weak to moderate explanation of the percentage variation in CEO remuneration that can be attributed to company performance indicators. The p-value is less than 5% suggesting that the null hypothesis should be rejected, however NOPAT is the only performance indicator, which has a $<$5% p-value.

Table 4.4: Multiple Linear Regression for period 2007 - 2008 (Chinese)

Average for the 5 Chinese Banks 2007-2008					
YEAR	ROE	ROA	TSR	NOPAT ¥billion	Remuneration ¥million
2007	20.23%	0.96%	91.83%	13.9334	6.63046
2008	24.28%	1.12%	-69.40%	20.0844	5.74612

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661[a]	.437	-.013	4.970829
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	95.902	4	23.976	.970	.498[b]
	Residual	123.546	5	24.709		
	Total	219.448	9			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]														
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
		B	Std. Error	Beta			Lower bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	22.518	8.821		2.553	.051	-.157	45.193						
	Return on equity	-29.192	24.474	-.439	-1.193	.286	-92.104	33.720	-.416	-.471	-.400	.830	1.205	
	Return on asset	-1256.931	917.475	-.751	-1.370	.229	-3615.376	1101.514	-.305	-.522	-.460	.374	2.671	
	Total shareholder return	-1.341	1.811	-.256	-.740	.493	-5.997	3.316	-.106	-.314	-.248	.941	1.063	
	Net operating profit after tax	.214	.158	.734	1.354	.234	-.192	.620	-.002	.518	.454	.383	2.609	
a. Dependent Variable: CEO Remuneration														

Table 4.5: Multiple Linear Regression for period 2008 – 2009 (Chinese)

Average for the 5 Chinese Banks 2008-2009					
YEAR	ROE	ROA	TSR	NOPAT ￥billion	Remuneration ￥million
2008	24.28%	1.12%	-69.40%	20.0844	5.74612
2009	20.89%	0.95%	101.24%	20.9222	4.39352

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	.513	.123	2.870312
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.343	4	10.836	1.315	.378[b]
	Residual	41.193	5	8.239		
	Total	84.536	9			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	12.765	5.812		2.196	.079	-2.175	27.705					
	Return on equity	-26.391	13.903	-.631	-1.898	.116	-62.129	9.346	-.510	-.647	-.593	.883	1.133
	Return on asset	-279.048	580.105	-.198	-.481	.651	-1770.255	1212.159	-.017	-.210	-.150	.577	1.732
	Total shareholder return	-1.400	1.093	-.439	-1.281	.257	-4.211	1.410	-.247	-.497	-.400	.829	1.207
	Net operating profit after tax	.068	.066	.386	1.021	.354	-.103	.239	.204	.415	.319	.681	1.468
a. Dependent Variable: CEO Remuneration													

Table 4.6: Multiple Linear Regression for period 2009 – 2018 (Chinese)

Average for the 5 Chinese Banks 2009-2018					
YEAR	**ROE**	**ROA**	**TSR**	**NOPAT ¥billion**	**Remuneration ¥million**
2009	20.89%	0.95%	101.24%	20.9222	4.39352
2010	21.63%	1.06%	-35.92%	29.7088	4.39332
2011	22.79%	1.23%	-15.53%	41.6792	3.49074
2012	22.86%	1.21%	25.06%	50.4596	3.6588
2013	21.57%	1.25%	-11.32%	59.662	3.40484
2014	19.75%	1.16%	70.58%	69.5542	3.25408
2015	17.27%	1.02%	4.48%	78.3758	2.88046
2016	15.52%	0.91%	-4.14%	81.5138	2.767812
2017	14.41%	0.91%	10.41%	85.487	2.67088
2018	13.66%	0.94%	-9.21%	92.4102	2.568264

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.422[a]	.178	.105	1.625953
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	25.836	4	6.459	2.443	.060[b]
	Residual	118.968	45	2.644		
	Total	144.803	49			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-.380	1.423		-.267	.791	-3.245	2.485					
	Return on equity	3.138	8.747	.076	.359	.721	-14.479	20.756	.236	.053	.048	.404	2.477
	Return on asset	256.755	212.760	.268	1.207	.234	-171.766	685.276	.380	.177	.163	.371	2.692
	Total shareholder return	.410	.512	.110	.802	.427	-.620	1.441	.120	.119	.108	.979	1.022
	Net operating profit after tax	.006	.005	.179	1.058	.296	-.005	.016	.255	.156	.143	.638	1.567
a. Dependent Variable: CEO Remuneration													

Table 4.7: Multiple Linear Regression for period 2007 – 2018 (Chinese)

Average for the 5 Chinese Banks					
YEAR	ROE	ROA	TSR	NOPAT ￥billion	Remuneration ￥million
2007	20.23%	0.96%	91.83%	13.9334	6.63046
2008	24.28%	1.12%	-69.40%	20.0844	5.74612
2009	20.89%	0.95%	101.24%	20.9222	4.39352
2010	21.63%	1.06%	-35.92%	29.7088	4.39332
2011	22.79%	1.23%	-15.53%	41.6792	3.49074
2012	22.86%	1.21%	25.06%	50.4596	3.6588
2013	21.57%	1.25%	-11.32%	59.662	3.40484
2014	19.75%	1.16%	70.58%	69.5542	3.25408
2015	17.27%	1.02%	4.48%	78.3758	2.88046
2016	15.52%	0.91%	-4.14%	81.5138	2.767812
2017	14.41%	0.91%	10.41%	85.487	2.67088
2018	13.66%	0.94%	-9.21%	92.4102	2.568264

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.051[a]	.003	-.070	2.797055
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.106	4	.277	.035	.998[b]
	Residual	430.293	55	7.824		
	Total	431.400	59			
a. Dependent Variable: CEO Remuneration						
Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.087	2.028		1.522	.134	-.978	7.152					
	Return on equity	.582	9.648	.011	.060	.952	-18.752	19.916	.033	.008	.008	.565	1.769
	Return on asset	56.829	252.478	.042	.225	.823	-449.148	562.807	.050	.030	.030	.521	1.920
	Total shareholder return	-.008	.658	-.002	-.013	.990	-1.328	1.311	-.004	-.002	-.002	.985	1.015
	Net operating profit after tax	.000	.008	.006	.038	.970	-.016	.016	.018	.005	.005	.736	1.359
a. Dependent Variable: CEO Remuneration													

Table 4.8: Multiple Linear Regression for period 2007 – 2008 (South African)

Average for the 5 South African Banks 2007-2008					
YEAR	**ROE**	**ROA**	**TSR**	**NOPAT ¥billion**	**Remuneration ¥million**
2007	15.36%	2.06%	29.02%	4.83	11.22
2008	16.14%	2.15%	4.00%	6.19	15.52

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.907[a]	.823	.682	3.313266
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	255.706	4	63.927	5.823	.040[b]
	Residual	54.889	5	10.978		
	Total	310.595	9			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]													
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**95.0% Confidence Interval for B**		**Correlations**			**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**	**Zero-order**	**Partial**	**Part**	**Tolerance**	**VIF**
1	(Constant)	-3.214	9.197		-.349	.741	-26.856	20.428					
	Return on equity	69.039	31.311	.483	2.205	.079	-11.448	149.526	.283	.702	.415	.735	1.360
	Return on asset	-80.163	41.193	-.548	-1.946	.109	-186.053	25.726	-.783	-.656	-.366	.446	2.244
	Total shareholder return	-6.513	8.135	-.185	-.801	.460	-27.425	14.399	-.105	-.337	-.151	.659	1.518
	Net operating profit after tax	.367	.285	.352	1.284	.255	-.367	1.100	.675	.498	.241	.471	2.124
a. Dependent Variable: CEO Remuneration													

Table 4.9: Multiple Linear Regression for period 2008 - 2009 (South African)

Average for the 5 South African Banks 2008-2009					
YEAR	**ROE**	**ROA**	**TSR**	**NOPAT ₹billion**	**Remuneration ₹million**
2008	19.10%	2.80%	12.54%	12.08	21.62
2009	19.80%	2.51%	30.67%	12.75	25.35

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.804[a]	.646	.362	4.536997
a. Predictors: (Constant), Net operating profit after tax, Return on equity, Total shareholder return, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	187.562	4	46.891	2.278	.195[b]
	Residual	102.922	5	20.584		
	Total	290.484	9			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Return on equity, Total shareholder return, Return on asset						

Coefficients[a]													
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**95.0% Confidence Interval for B**		**Correlations**			**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**	**Zero-order**	**Partial**	**Part**	**Tolerance**	**VIF**
1	(Constant)	5.700	7.025		.811	.454	-12.358	23.758					
	Return on equity	65.793	42.444	.570	1.550	.182	-43.311	174.898	-.126	.570	.413	.525	1.905
	Return on asset	-151.239	69.754	-1.010	-2.168	.082	-330.547	28.069	-.670	-.696	-.577	.326	3.064
	Total shareholder return	-2.054	3.038	-.206	-.676	.529	-9.863	5.755	-.413	-.289	-.180	.767	1.304
	Net operating profit after tax	-.096	.426	-.086	-.227	.830	-1.190	.997	.515	-.101	-.060	.490	2.042
a. Dependent Variable: CEO Remuneration													

Table 4.10: Multiple Linear Regression for period 2009 - 2018 (South African)

Average for the 5 South African Banks 2009-2018					
YEAR	**ROE**	**ROA**	**TSR**	**NOPAT ￥billion**	**Remuneration ￥million**
2009	16.04%	3.26%	-7.49%	6.87	11.45
2010	14.72%	2.78%	41.02%	5.83	9.70
2011	16.88%	2.35%	33.05%	6.49	14.37
2012	17.16%	2.42%	6.46%	7.83	18.54
2013	16.78%	2.69%	16.95%	9.10	19.34
2014	17.99%	2.95%	8.08%	7.14	15.94
2015	15.69%	2.57%	19.73%	8.17	15.35
2016	15.96%	2.55%	16.55%	9.85	17.03
2017	19.81%	2.68%	30.62%	11.59	23.14
2018	20.37%	2.85%	25.71%	13.45	25.83

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.713[a]	.509	.465	8.283491
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	3198.583	4	799.646	11.654	.000[b]
	Residual	3087.730	45	68.616		
	Total	6286.313	49			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]													
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	3.678	5.707		.644	.523	-7.818	15.173					
	Return on equity	77.365	34.654	.391	2.232	.031	7.568	147.162	-.100	.316	.233	.355	2.815
	Return on asset	-92.289	102.402	-.175	-.901	.372	-298.537	113.959	-.272	-.133	-.094	.290	3.446
	Total shareholder return	-10.553	4.503	-.304	-2.344	.024	-19.622	-1.484	-.422	-.330	-.245	.649	1.541
	Net operating profit after tax	.909	.174	.599	5.220	.000	.558	1.260	.621	.614	.545	.828	1.207
a. Dependent Variable: CEO Remuneration													

Table 4.11: Multiple Linear Regression for period 2007 - 2018 (South African)

Average for the 5 South African Banks 2007-2018					
YEAR	ROE	ROA	TSR	NOPAT ￥billion	Remuneration ￥million
2007	26.46%	3.62%	1.84%	7.41	14.04
2008	20.64%	3.28%	-20.35%	8.19	13.44
2009	16.31%	2.64%	48.69%	5.82	11.37
2010	18.38%	2.29%	28.53%	6.55	15.13
2011	19.42%	2.41%	4.55%	8.22	19.66
2012	18.74%	2.61%	24.12%	9.10	18.29
2013	18.92%	2.69%	9.79%	9.20	22.76
2014	18.10%	2.38%	25.59%	10.43	22.77
2015	19.36%	2.49%	1.03%	12.92	24.99
2016	19.38%	2.26%	26.69%	13.43	28.23
2017	18.68%	2.36%	24.03%	14.72	30.77
2018	19.12%	2.71%	0.97%	15.26	39.63

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.654[a]	.427	.386	8.760241
a. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset				
b. Dependent Variable: CEO Remuneration				

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	3147.448	4	786.862	10.253	.000[b]
	Residual	4220.800	55	76.742		
	Total	7368.249	59			
a. Dependent Variable: CEO Remuneration						
b. Predictors: (Constant), Net operating profit after tax, Total shareholder return, Return on equity, Return on asset						

Coefficients[a]													
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**95.0% Confidence Interval for B**		**Correlations**			**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**	**Zero-order**	**Partial**	**Part**	**Tolerance**	**VIF**
1	(Constant)	8.082	5.193		1.556	.125	-2.325	18.489					
	Return on equity	32.852	25.610	.170	1.283	.205	-18.472	84.177	-.171	.170	.131	.596	1.677
	Return on asset	-60.814	62.521	-.138	-.973	.335	-186.108	64.481	-.340	-.130	-.099	.519	1.927
	Total shareholder return	-3.887	3.865	-.112	-1.006	.319	-11.632	3.858	-.255	-.134	-.103	.835	1.197
	Net operating profit after tax	.936	.177	.605	5.286	.000	.581	1.291	.629	.580	.539	.794	1.260
a. Dependent Variable: CEO Remuneration													

4.4. Results of the research questions

Question 1

The findings from Table 4.11 indicate that there is a significant positive correlation between CEO income and company performance components of the South African banking sector for the period 2007 to 2008. However, the p-values of NOPAT were lower than the significance level of 0.05, suggesting a higher correlation between the income and NOPAT, than the relationship between compensation with ROE, ROA, and TSR, respectively.

Question 2

The findings from Table 4.7 indicate that there is no relationship between CEO compensation and company performance components of the Chinese banking sector for the period 2007 to

2008. The p-value for all the performance components was higher than the significance level of 5%; therefore, none of the performance components has a relationship with Chinese banks' CEO compensation.

Question 3

The relationship did change for both Chinese banks and South African banks from 2007 to 2018. According to Table 4.12 and Table 4.13, the direction of growth for CEO salary and returns to shareholders was the same for some period. In the year 2009, 2014, 2015, and 2016, the CEO compensations of Chinese banks decreased, along with the decrease of company performance components ROE, ROA and TSR. However, in other years, there were no obvious correlations between salary and performance. From the Table 4.13, the CEO compensations declined with the decline of ROE, ROA, and TSR in the years 2008 and 2009; however, the CEO compensations increased with the growth of ROE, ROA, and NOPAT in the years 2011, 2013, 2015, and 2018.

Table 4.12: Chinese banks' Growth Rate

Chinese banks' Growth Rate					
YEAR	**ROE**	**ROA**	**TSR**	**NOPAT ￥billion**	**Remuneration ￥million**
2007					
2008	20.06%	16.91%	-175.58%	44.15%	-13.34%
2009	-13.96%	-15.54%	-245.87%	4.17%	-23.54%
2010	3.54%	11.84%	-135.48%	42.00%	0.00%
2011	5.32%	16.45%	-56.78%	40.29%	-20.54%
2012	0.34%	-1.46%	-261.38%	21.07%	4.81%
2013	-5.66%	2.97%	-145.18%	18.24%	-6.94%
2014	-8.43%	-7.36%	-723.52%	16.58%	-4.43%
2015	-12.59%	-11.57%	-93.65%	12.68%	-11.48%
2016	-10.10%	-11.13%	-192.55%	4.00%	-3.91%
2017	-7.18%	0.44%	-351.12%	4.87%	-3.50%
2018	-5.17%	2.84%	-188.48%	8.10%	-3.84%

Table 4.13: South African banks' Growth Rate

South African banks' Growth Rate					
YEAR	**ROE**	**ROA**	**TSR**	**NOPAT ¥billion**	**Remuneration ¥million**
2007					
2008	-22.00%	-9.40%	-1207.79%	10.62%	-4.22%
2009	-21.00%	-19.52%	-339.26%	-28.93%	-15.41%
2010	12.72%	-13.27%	-41.42%	12.49%	33.03%
2011	5.66%	5.42%	-84.06%	25.53%	29.99%
2012	-3.50%	8.13%	430.59%	10.71%	-6.98%
2013	0.96%	2.99%	-59.43%	1.03%	24.45%
2014	-4.33%	-11.32%	161.44%	13.40%	0.05%
2015	6.96%	4.62%	-95.98%	23.93%	9.72%
2016	0.10%	-9.15%	2496.09%	3.90%	12.98%
2017	-3.61%	4.24%	-9.98%	9.64%	8.98%
2018	2.36%	14.83%	-95.96%	3.67%	28.81%

Question 4

The strength of the relationship between Chinese banks' CEO compensation and shareholders' value did not transform before (2007-2008), during (2008-2009), and after the global financial crisis. However, the compensation and performance relationship did change in the South African bank sector. Regarding Tables 4.4 to 4.6, the p-values were all higher than the 5% significance level, which means that the null hypothesis was accepted for all three periods. In the South African bank sector, Tables 4.8 to 4.10 indicate that, before the financial crisis, the p-value was less than 0.05 significant level, which indicated a significant relationship for CEO compensation and shareholders' value between 2007 and 2008. However, the p-value was higher than 5% during the financial crisis; therefore, there was no relationships for CEO compensation and shareholders' value between 2008 and 2009. In addition, the p-value was lower than 1% after the crisis, which implies that it was a highly significant to reject the no relationships null hypothesis.

Question 5

South African and Chinese companies can overcome their predicaments by adjusting the CEO compensation structure. From Tables 4.8 to 4.10 it is clear that banks performed better during the period, in which the CEO compensation was aligned with the company performance (before and after the financial crisis). However, the company performed badly in the period that the CEO compensation had no relationship with firm performance.

4.5. Chapter Summary

The research results were discussed in this chapter. The researcher used descriptive statistics to describe the variation of the CEO's total remuneration and company performance components for each bank in the first section, followed by a discussion of a bank set for each country, and an illustration of the difference between the two countries. In the second section, the researcher used multiple linear regressions to analyse the significance of the relationship between CEO compensations and company performance components. In the final section, the researcher answered the research questions from Chapter one and provided explanations.

The next chapter comprises a comprehensive discussion of the study findings within the literature analysis.

CHAPTER FIVE

DISCUSSION

5.1. Introduction

The aim of this study was to explore the link between CEO remuneration and the returns for shareholders in the Chinese and South African banking sector. In the previous chapter, the researcher provided the findings of the research, which concentrated on the relevance of variables. Subsequently, the researcher analysed the data collected from selected samples, by using descriptive statistics and regression methods. In this chapter, the researcher provides a discussion of the study results, as well as its incorporation with the previous researches and studies on related topics, and details the similarities and differences. In addition, the limitations and recommendations for the further research are discussed in this chapter. A brief dissection of the key research questions follows.

5.2. Discussion on research questions

Research question one was aimed at analysing the correlation between CEO salary and shareholders' value in the bank sector of South Africa. The researcher used multiple linear regression (MLR) to examine the relationship between the individual components of returns of shareholders, and measures of total CEO compensation. Research question two was aimed to analysing the relationship between CEO salary and shareholders' value of the bank sector of China. Similar to question one, the researcher also used multiple linear regression (MLR) to examine the relationship between the individual components of returns of shareholders, and measures of total CEO compensation. Research question three was aimed at exploring the changes in the relationship between CEO compensation and performances over the years. The researcher used a growth rate comparing method to detect this problem. The aim of research question four was to investigate the strength changes of the relationship between

CEO compensation and shareholders' value transform, before 2007, during 2008 to 2009, and after the global financial crisis. The researcher performed multiple linear regressions (MLR) for each period, to test the changes at each stage. The aim of question five was to explore the effectiveness of the compensation structure to the economic predicaments of South Africa and China, and combined all the results to assess the effectiveness.

The results from Table 4.11 indicates that the p-value was less than the significance level of 0.05, and the multiple R of 0.654 displayed moderate positive correlations between the variables. These findings indicate that there was a significant positive relationship between CEO remuneration and company performance components of the South African banking sector, for the period 2007 to 2018. This finding concurs with the findings of studies conducted by Murphy (1986), as well as Scholtz and Smit (2012), which also revealed a strong relationship between executive remuneration and firm performance. From Table 4.3, the maximum CEO remuneration of South African banks was 12.5 times the minimum. Therefore, even though the CEO compensation and shareholders' value were related to each other, the huge salary gap was still the biggest problem in the South African banking sector. It is obvious that the King code played a role in the pay-performance structure of the South African banking sector, but produced little effect for the remuneration inequality problems.

The results in Table 4.7 indicate that the multiple R value was 5.1%, which implies that the correlation was weak, and the p-value showed a 99.8% value; therefore, the findings indicate that there was no significant relationship between CEO remuneration and company performance components of the Chinese bank sector for the period 2007 to 2018. This finding concurred with a study conducted by Gregg, Jewell, and Tonks (2005). In their research article, they provided evidence to reveal that there was an insignificant relationship between pay and performance. Additionally, even the maximum CEO remuneration was 19 times the minimum, according to Table 4.3, as the CEO remuneration for all Chinese banks

showed decreasing trends. Therefore, the findings revealed that the pay-performance in the Chinese banking sector was still problematic, as the CEOs' salaries were low, compared to the value they created for shareholders. The remuneration gap issue was still not optimistic. The Performance Appraisal System (PAS), which was enacted by the Chinese Ministry of Finance (MOF) was useful, but to non-state-owned banks, it meant little.

According to Tables 4.12 and 4.13, the changing direction for CEO compensation and financial performance was similar for some time. The strength of the relationship between Chinese banks changed; however, not obviously, for the period before (2007-2008), during (2008-2009), and after the global financial crisis. The data for the three periods showed no related relationship between pay and performance. However, the strength of the compensation and performance relationship did change in the South African banking sector over the three periods. In Tables 4.8 to 4.10, the period analysis revealed strong positive and significant relationships in the first period (2007 to 2008). The p-value was greater than the 0.05 significant levels, during the second period (2008 to 2009), and the results revealed an irrelevant relation between CEO pay and firm performance. During the later period, 2009 to 2018, a moderate positive and significant relationship association was displayed. This finding concurred with a study conducted by Bezuidenhout (2016), as well as Priem (2016), who observed that the strength of relationships is quite different, in a different period. The findings suggest that the CEO remuneration was aligned to the returns for shareholders, except for the financial recession period, as the pay structure was not adjusted during the time that the firm performance was poor.

The predicament of Chinese and South African companies could have been overcome by adjusting the pay structure. The findings suggest that the South African banks had a better relationship between CEO compensation and firm performance, with a smaller income gap than the Chinese banks, which had a bad pay-performance structure. The researcher is of the

opinion that South African banks could improve the returns for shareholders, and reduce the income gaps by optimizing the pay-performance structure, while Chinese banks could solve their income inequality problems by practicing the pay for performance method.

5.3. Limitations and future research

This study provided meaningful insights into the association between the CEO income and performance variables; however, the limitations of this research are obvious. The limitations are as followings:

- **Industry limitation:** the researcher only considered the bank sector in this current study. Therefore, the findings could not represent the situation of other industries, or sectors. Future studies could add more companies from other sectors and industries.
- **Time limitation:** the researcher only selected five banks from each country and used data from 2007 to 2018; therefore, the samples might be unrepresentative. Future studies could extend the time range and the range of banks.
- **Resource limitation:** the remuneration package considered in this current study was only fixed salaries, pensions, perquisites, bonuses, and employee benefits paid to directors. Some of the banks did not disclose the exact amount for each component; therefore, the researcher did not analyse the relationship between each remuneration component to the firm performance. Future studies could distinguish the relationship between firm performances with each of the salary components.
- **Performance components limitation:** In this current research, the researcher only used four performance components, which is not comprehensive enough.
- **Influencing factors limitation:** The CEO remuneration might be influenced by other factors, and not only corporation performance. However, in this current research, the researcher only considered ROE, ROA, TSR, and NOPAT. Future studies could explore whether the strength of the relationship between pay and performance varies,

when the company, or CEO, has different subject elements, such as Company size, CEO gender, CEO age, and qualifications of CEOs.

5.4. Chapter summary

In this chapter, the researcher discussed the research results, analysed each question in-depth, and linked the findings of this current study with relevant previous literature. This current research accepts the null hypothesis that CEO remuneration is not aligned to enterprise performance for Chinese banks, as the findings revealed that CEO income is not correlated to the company performance of Chinese banks. However, this current study rejects the null hypothesis that CEO remuneration is not aligned to firm performance for South African banks, as the analysis revealed a strong positive and significant relationship between pay and performance for South African banks. Additionally, the analysis results revealed that this relationship presented as an irrelevant relationship, during the financial crisis from 2008 to 2009.

In the following chapter, the researcher reiterates the findings of the main question of this current study, and presents the significance, as well as the conclusion of this current study.

CHAPTER SIX

CONCLUSION

6.1. Introduction

The relationship between CEO compensation and returns to shareholders has become a widely discussed topic in academia and the public. Some scholars allege that most CEOs are overpaid, in relation to the shareholders' value they create (Bezuidenhout, 2016). Therefore, if there is no meaningful relationship between CEOs' compensation and the returns to shareholders, this allegation is supported.

In the first chapter, the researcher introduced the research problems and the background of this current research topic. In Chapter Two, a literature review of the research topic was provided, which included a review of previous researches, and the theoretical basis of the relationship between CEO remuneration and shareholders' value was discussed. In Chapter Three, the researcher discussed the research methodology and explained the variables of this research. In Chapter Four, the data were analysed, and the findings of the research presented. The previous chapter comprised a discussion for the key research questions, as well as the limitations of this study.

In this chapter, the researcher first reiterates the original intention of conducting this study and outlines the key points of the methodology. Subsequently, the researcher summarises the key findings of this current study, which is followed by recommendations to shareholders, and suggestions for further research.

6.2. The original intention of this research

The original intention in conducting this research was to explore the value that the CEOs

created for shareholders, as well as the high remunerations they enjoyed, by comparing South African and Chinese holding banks. As explained in Chapter 1, the South African economy was devastated during the financial crisis, and in recent years, the economy has showed a declining tendency again. However, in contrast to the national economic downturn, CEO compensation has increased year on year. In addition, although the Chinese economy survived the global financial crisis, the "income inequality" and "different pay for the same work" were still severe problems in the Chinese society. Therefore, the intention of the researcher was to explore whether CEOs in China and South Africa were worth what they were contributing to shareholders.

6.3. Research methodology overview

In this current research, the researcher applied a longitudinal quantitative approach to ascertain whether compensation aligns with firm performance. Secondary data were collected from 10 banks' annual reports, and analysed, in an effort to answer the research question. The researcher selected 5 banks each from South Africa and China, respectively, as the sample in this current study. The variables comprised CEO compensation, as well as firm performance components. The CEO compensation components were the independent variables, which included fixed pay, bonuses, and benefits. The firm performance components, the dependent variables, were ROE, ROA, TSR, and NOPAT. The researcher used SPSS to create multiple linear regressions, and the p-value of 5% was used as a standard to test the significant correlations between the variables. The results were discussed in Chapter 5 and Chapter 6. The researcher divided the 11 years (from 2007 to 2018) into three periods, and explained the results of each period for the South African, as well as Chinese banks.

6.4. Key Findings

Critics claim that the link between CEO compensation and returns to shareholders is weak, as CEOs are overpaid, in relation to the value they create. The strong positive and significant

relationship that South African banks displayed, seems to contradict the claim. However, after analysing the three divided periods, the strength of the relationship revealed a declining trend. Although, the current situation is still acceptable, it is anticipated that the strength of the correlation returns to the same level as before 2018 (Shaw, 2011).

No apparent correlation between CEO remuneration and firm performance for Chinese banks indicates the weakness of the pay-performance structure in China. Whether CEOs are overpaid, compared to what they create, or paid less, these types of results are all disadvantageous to the companies' development. Overpaying CEOs causes shareholders' value to shrink, as well as an income inequality problem. However, underpaying a CEO, could cause the brain drain problem, or CEO corruption problems.

6.5. Recommendations

6.5.1. Recommendations to shareholders

Regarding the results of this current study, the main challenge of the pay-performance relationship was the inadequately designed CEO compensation framework, which caused the CEOs' self-interest behaviour. Therefore, it is recommended that South African companies adjust the CEO compensation framework, according to the present national conditions; and Chinese companies build a new compensation framework that could link the CEO salary with the firm performance, perfectly. Additionally, the income inequality problem could be solved by a reasonable compensation framework.

Additionally, an executive's supervision department is crucial to ensure that CEOs work for the interests of shareholders, and not their own. The development of financial organizations requires a formidable legal environment, as well as an effective regulatory system that could reduce, and avoid many enterprise management loopholes, including, but not limited to, abuse of authority.

6.5.2. Recommendations for future research

In future research, a larger sampling group should be considered, as the researcher only selected 10 banks as a sample in this current study. More compensation components, as well as firm performance components should also be considered in the future, as more variables could make the research more rigorous. Additionally, different types of industries should be considered in the future, as the financial sector might not represent the situation for the whole economic system. In the researcher's opinion, more elements that could affect the compensations, should be considered, as well.

6.6. Conclusion

In summary, the findings revealed that the relationship between CEO remuneration and shareholders' value at South African, as well as Chinese banks, were all weak. Whether the irrelevant result of Chinese banks, or the declining situation of South African banks, they were all unfavourable to economic development. Therefore, according to the researcher, the need for an effective compensation structure, as well as an executives' supervision department, are significant and meaningful.

REFERENCES

Abowd, J. (1990). Does performance-based managerial compensation affect corporate performance? *Industrial and labor relations review, 43*(3), 52S–73S.

Abowd, J. M., & Kaplan, D. S. (1999). Executive compensation: six questions that need answering. *Journal of Economic Perspectives*, *13*(4), 145–168.

Absa Group Limited [ABSA]. (2019). *Overview.* (Online). Retrieved from https://www.absa.co.za/about-us/absa-bank/

Alvaredo, F., Chancel, L., Piketty, T., Saez, E., & Zucman, G. (Eds.). (2018). World inequality report 2018. London, England, United Kingdom: Belknap Press.

Amadeo, K. (2019, December 19). It's good that China's growth is slowing. Really. *The Balance.* Retrieved from https://www.thebalance.com/china-s-economic-growth-cause-pros-cons-future-3305478.

Andrews, K. R. (1980). The concept of corporate strategy (Rev. ed.). Homewood, IL., USA: R.D. Irwin.

Ayaba, O. H. (2012). *Chief executive officer's (CEO's) educational background and firm performance: An empirical study on manufacturing and IT listed firms in the Stockholm Stock Exchange* (Unpublished master's thesis). Umeå School of Business and Economics, Umeå, Sweden.

Bacidore, J. M., Boquist, J. A., Milbourn, T. T., & Thakor, A. V. (1997). The search for the

best financial performance measure. *Financial Analysts Journal*, *53*(3), 11–20.

Barnard, C. I. (1968). *The functions of the executive* (Vol. 11). London, England, United Kingdom: Harvard University Press.

Bender, R., & Moir, L. (2006). Does 'best practice' in setting executive pay in the UK encourage 'good' behaviour? *Journal of Business Ethics*, *67*(1), 75–91.

Berle, A. A., & Means, G. C. (1932). *The Modern Corporation and Private Property*. New York, NY., USA: MacMillan.

Bezuidenhout, M. L. (2016). *The relationship between CEO remuneration and company performance in South African state-owned entities* (Unpublished doctoral dissertation). University of South Africa, Cape Town, Western Cape, South Africa.

Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of Corporate Finance*, *14*(2008), 257–273.

Bland, J. M., & Altman, D. G. (1996). Statistics notes: measurement error. *British Medical Journal*, *312*(7047), 1654.

Bratton, W. W. (2001). Berle and Means reconsidered at the century's turn. *Journal of Corporation Law, 26*(3), 737–770.

Brothwell, R. (2020, March 04). South Africa lost 1 million jobs because of the 2008 recession – Here's why this one could be even worse. *Businesstech*. Retrieved from https://businesstech.co.za/news/technology/379079/south-africa-lost-1-million-jobs-beca

use-of-the-2008-recession-heres-why-this-one-could-be-even-worse/.

Burton, R. M., Lauridsen, J., & Obel, B. (2002). Return on Assets loss from situational and contingency misfits. *Management science*, *48*(11), 1461–1485.

Businesstech staff writer. (2019, December 11). Eskom, SAA, SAPO and all the other state companies the South African Government has run into the ground. *Businesstech.* Retrieved from https://businesstech.co.za/news/government/361454/eskom-saa-sapo-and-all-the-other-state-companies-the-south-african-government-has-run-into-the-ground/.

Bussin, M. (2012). *Remuneration handbook for Africa* (3rd ed.). Randburg, Johannesburg, Gauteng, South Africa: Knowledge Resources Publishing Pty Ltd.

Campbell, A. F. (2019, June 26). CEOs made 287 times more money last year than their workers did. [online] *Vox.* Retrieved from https://www.vox.com/policy-and-politics/2019/6/26/18744304/ceo-pay-ratio-disclosure-2018

Capitec Bank Limited [Capitec]. (2019). *Overview.* (Online). Retrieved from https://www.capitecbank.co.za/about-us/

Chen, J. (2020, February 22). Corporate Social Responsibility (CSR). *Investopedia.* Retrieved from https://www.investopedia.com/terms/c/corp-social-responsibility.asp.

Chen, J. J., Zhang, H., Xiao, X., & Li, W. (2011). Financial crisis and executive remuneration in banking industry–an analysis of five British banks. *Applied Financial*

Economics, *21*(23), 1779–1791.

China CITIC Bank [CNCB]. (2019). Overview. (Online). Retrieved from https://www.group.citic/en/About_CITIC/Brief_Introduction/

China Industrial Bank [CIB]. (2019). Overview. (Online). Retrieved from https://www.cib.com.cn/en/aboutCIB/investor/profile/index.html

China Merchants Bank [CMB]. (2019). Overview. (Online). Retrieved from http://english.cmbchina.com/CmbInfo/About/DetailInfo.aspx?guid=ce1230c5-de69-441a-8861-d520fe3d287c

China Minsheng Bank [CMBC]. (2019). Overview. (Online). Retrieved from http://en.cmbc.com.cn/CMBCToday/AboutCMBC/IntroductiontoCMBC/index.htm

Chinese Ministry of Finance [MOF]. (2009). *Enterprise performance evaluation benchmarks 2009.* ISBN: 9787505881600. Retrieved from https://book.douban.com/subject/3741288/

Chiu, B., & Lewis, M. (2006). *Reforming China's state-owned enterprises and banks*. Northampton, MA., USA: Edward Elgar Publishing. Retrieved from https://ideas.repec.org/b/elg/eebook/3354.html.

Chow, G. C. (2018). China's economic transformation. In R. Garnaut, L. Song & C. Fang (Eds.), *China's 40 years of Reform and Development: 1978 – 2018,* (pp. 93–115). Acton, Canberra, ACT., Australia: ANU Press. Retrieved from http://library.oapen.org/bitstream/id/c709fb14-9dbb-481a-be8d-a3fe23714ac8/book(5).pdf#page=121.

Clarkson, P. M., Walker, J., & Nicholls, S. (2011). Disclosure, shareholder oversight and the pay– performance link. *Journal of Contemporary Accounting & Economics, 7*(2), 47–64.

Collier, D., Idensohn, K., & Adkins, J. (2010). Income inequality and executive remuneration: assessing the role of law and policy in the pursuit of inequality. *South African Journal of Labour Relations, 34*(2), 84–109.

Coombs, J. E, & Gilley, K. M. (2005). Stakeholder management as a predictor of CEO compensation: Main effects and interactions with financial performance. *Strategic Management Journal, 26*(2005), 827–840.

Core, J. E., & Guay, W. R. (2010). Is CEO pay too high and are incentives too low? A wealth-based contracting framework. *Academy of Management Perspectives*, *24*(1), 5-19.

Core, J. E., Holthausen, R. W., & Larcker, D. F. (1999). Corporate governance, chief executive officer compensation, and firm performance. *Journal of financial economics*, *51*(3), 371-406.

Crotty, A., & Bonorchis, R. (2006). *Executive pay in South Africa: Who gets what and why?* Cape Town, Western Cape, South Africa: Juta and Company Ltd.

Dalton, D. R., & Aguinis, H. (2013). Measurement malaise in strategic management studies: The case of corporate governance research. *Organizational Research Methods, 16*(1), 88–99.

Damilola, A. O. (2020). *The determinants of CEO compensation in Nigeria.* Retrieved from http://lnu.diva-portal.org/smash/get/diva2:1435916/FULLTEXT01.pdf.

Du, J., & Choi, J. N. (2010). Pay for performance in emerging markets: Insights from China. *Journal of International Business Studies*, *41*(4), 671–689.

Doucouliagos, H., Haman, J., & Askary, S. (2007). Directors' remuneration and performance in Australian banking. *Corporate governance: an international review*, *15*(6), 1363–1383.

Eichholtz, P. M., Kok, N., & Otten, R. (2008). Executive compensation in UK property companies. *The Journal of Real Estate Finance and Economics*, *36*(4), 405–426.

Ericson, R. N. (2011). Benchmarking for executive incentive pay: The importance of performance standards. *Compensation and Benefits Review, 43*(2), 92–99.

Farkas, C. M., & Wetlaufer, S. (1996). Managing people – The Ways Chief Executive Officers Lead. *Harvard Business Review on Leadership.* May–June 1996 Issue. Boston, MA., USA: Harvard Business School Press, Retrieved from https://hbr.org/1996/05/the-ways-chief-executive-officers-lead.

Farmer, M., Archbold, S., & Alexandrou, G. (2013). CEO compensation and relative company performance evaluation: UK evidence. *Compensation & Benefits Review, 45*(2), 88–96.

Feltham, L. (2016, August 23). President Zuma set to steer South Africa's new parastatal strategy. *The Mail & Guardian.* Retrieved from https://mg.co.za/article/2016-08-23-president-zuma-set-to-sit-at-the-helm-of-south-africas-state-owned-enterprises/.

Fernandez, P. (2001, May 22). EVA, economic profit and cash value added do not measure shareholder value creation. 18pp paper for IESE Business School. Camino del Cerro del Aguila, 328023, Madrid, Spain. Retrieved from http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.201.9225&rep=rep1&type=pdf

Finkelstein, S., & Boyd, B. K. (1998). How much does the CEO matter? The role of managerial discretion in the setting of CEO compensation. *Academy of Management Journal*, *41*(2), 179–199.

First Rand Bank Limited, First National Bank [FNB]. (2019). *Overview.* (Online). Retrieved from https://www.fnb.co.za/about-fnb/about-us.html

Firth, M., Leung, T. Y., Rui, O. M., & Na, C. (2015). Relative pay and its effects on firm efficiency in a transitional economy. *Journal of Economic Behavior & Organization*, *110*, 59–77. http://dx.doi.org/10.1016/j.jebo.2014.12.001

Fortune (2018). *Global 500*. Retrieved from https://fortune.com/global500/

Frydman, C., & Jenter, D. (2010). CEO compensation. *Annu. Rev. Financ. Econ.*, *2*(1), 75–102.

Fu, Y. (2018, July 30). *How big is the income gap in China?* Retrieved from https://www.huxiu.com/article/254979.html?h_s=h9

Girma, S., Thompson, S., & Wright, P. W. (2007). Corporate governance reforms and executive compensation determination: Evidence from the UK. *The Manchester School*, *75*(1), 65–81.

Glick, M. B. (2013). The development of an instrument for measuring role perceptions of US Chief Executive Officers. *Modern Management Science and Engineering*, *1*(1), 58–78.

Goldberg, S. R., & Godwin, J. H. (2001). Your merger: Will it really add value? *Journal of Corporate Accounting & Finance*, *12*(2), 27–35.

Graafland, J., Kaptein, M., & Mazereeuw-van der Duijn Schouten, C. (2010). *Motives of Socially Responsible Business Conduct.* Discussion Paper. Series No. 2010-74. Tilburg University, Center for Economic Research, Tilburg, The Netherlands. Retrieved from https://www.researchgate.net/publication/46433746_Motives_of_Socially_Responsible_Business_Conduct

Gregg, P., Jewell, S., & Tonks, I. (2005). *Executive Pay and Performance in the UK 1994-2002.* Bristol, England, United Kingdom: The Centre for Market and Public Organisation 05/122, Department of Economics, University of Bristol. Retrieved from https://ideas.repec.org/p/bri/cmpowp/05-122.html

Hambrick, D. C., & Quigley, T. J. (2014). Toward more accurate contextualization of the CEO's effect on firm performance. *Strategic Management Journal, 35*(4), 473–491.

Hassan, S., & Theo, C. (2003). Directors' remuneration and firm performance: Malaysian evidence. *Malaysian Accounting Review*, *2*(1), 57–67.

Hayes, R. M., & Schaefer, S. (2009). CEO pay and the Lake Wobegon effect. *Journal of Financial Economics*, *94*(2), 280–290.

Haynes, T. H., Campbell, J. T., & Hitt, M. A. (2014). When more is not enough: Executive

greed and its influence in shareholder wealth. *Journal of Management, 20*(10), 1–30.

Hohnen, P., & Potts, J. (2007). *Corporate social responsibility: An implementation guide for business*. Winnipeg, Manitoba, Canada: International Institute for Sustainable Development. Retrieved from https://www.iisd.org/pdf/2007/csr_guide.pdf

Huang, R. (2010). Because I'm worth it? CEO pay and corporate governance. *Business Review*, Q3 (2010), 12–19. Retrieved from https://core.ac.uk/download/pdf/6322473.pdf.

Hunt, M. H. (2004). *The World Transformed: 1945 to the Present.* Boston, MA., USA: Bedford/St. Martin's. ISBN 978-0312245832.

Investing answers. (2019, 1st October). Net Operating Profit After Tax (NOPAT). Retrieved from https://investinganswers.com/dictionary/n/net-operating-profit-after-tax-nopat

Investopedia. (2020, February 18). How did the 2008 financial crisis affect the oil and gas sector? *Investopedia.* Retrieved from https://www.investopedia.com/ask/answers/052715/how-did-financial-crisis-affect-oil-and-gas-sector.asp.

Jensen, M. C., & Murphy, K. J. (1990). Performance pay and top-management incentives. *Journal of Political Economy, 98*(2), 225–264.

Jondeau, E., & Rockinger, M. (2003). Conditional volatility, skewness, and kurtosis: existence, persistence, and comovements. *Journal of Economic dynamics and Control, 27*(10), 1699–1737.

Johannesburg Stock Exchange [JSE]. (2019). *Overview.* (Online). Retrieved from

https://www.jse.co.za/about/history-company-overview.

Kannan, P., & Koehler-Geib, F. (2009, December 03). Why Did The Crisis Go Global? *VOX, CEPR Policy Portal*. Retrieved from https://voxeu.org/article/why-did-crisis-go-global.

Kato, T., & Kubo, K. (2006). CEO compensation and firm performance in Japan: Evidence from new panel data on individual CEO pay. *Journal of the Japanese and International Economies*, *20*(1), 1–19.

Keeley, B. (2015). Income Inequality: The Gap between Rich and Poor. Paris, France: OECD Insights, OECD Publishing. http://dx.doi.org/10.1787/9789264246010-en

Kenton, W. (2019, August 18). How Chief Executive Officers (CEOs) Work. *Investopedia.* Retrieved from https://www.investopedia.com/terms/c/ceo.asp

Kim, J., Kogut, B., & Yang, J. (2013). Executive Compensation, Fat Cats and Best Athletes. Columbia Business School Research Paper [online]. Retrieved from http://ssrn.com /abstract=1948531.

King, M., Engelbrecht, L., Katz, M., & Ramalho, A. (2009). *The King III Report on corporate governance for South Africa*. Retrieved from https://cdn.ymaws.com/ www.iodsa.co.za/resource/resmgr/king_iii/King_Report_on_ Governance_fo.pdf.

King Committee on Corporate Governance, & King, M. E. (2016). *King IV Report on corporate governance for South Africa 2016*. Institute of Directors in Southern Africa. Retrieved from https://studynotesunisa.co.za/wp-content/uploads/2018/12/King-IV-Report-on-Corporate-Governance-for-South-Africa-2016.pdf

Kirkpatrick, G. (2009). The corporate governance lessons from the financial crisis. *OECD Journal: Financial Market Trends*, *2009*(1), 61–87.

Kopp, C. (2020, June 17). How income inequality works. *Investopedia.* Retrieved from https://www.investopedia.com/terms/i/income-inequality.asp

Kotler, P., & Lee, N. (2008). *Corporate social responsibility: Doing the most good for your company and your cause*. Hoboken, NJ., USA: John Wiley & Sons.

Kotter, J. P. (2001). Best of HBR: What leaders really do. *Havard Business Review* (December 2001), 1–12. Boston, MA., USA: Harvard Business School Publishing Corporation. Retrieved from https://enterprisersproject.com/sites/default/files/What% 20Leaders%20 Really%20Do.pdf

Lambrechts, L. J. [Ed.]. (1992). *Financial Management* (4th ed.). Pretoria, Gauteng, South Africa: J. L. van Schaik.

Lazear, E. P., & Rosen, S. (1981). Rank-order tournaments as optimum labor contracts. *Journal of political Economy*, *89*(5), 841–864.

Leedy, P. D., & Ormrod, J. E. (2015). *Practical Research: Planning and Design (*11th ed.). London, England, United Kingdom: Pearson Education Limited.

Leidecker, J. K., Bruno, A. V., & Yanow, A. (1988). A delicate balance: The two functions of the CEO. *Management Review*, *77*(8), 18.

Leng, Z. H., Fu, C. J., & Xu, X. P. (2015). Family income structure, income gap, and land

circulation: A microscopic analysis based on CFPS data. *Econ Rev, 195*, 111–128.

Li, L., Willett, T. D., & Zhang, N. (2012). The effects of the global financial crisis on China's financial market and macroeconomy. *Economics Research International, 2012* (Article ID 961694), 1–6. http://dx.doi.org/10.1155/2012/961694

Lin, T. C. (2013). CEOs and Presidents. *UCDL Rev.*, *47*(2013), 1351.

Lin, B. X., & Lu, R. (2009). Managerial power, compensation gap and firm performance –Evidence from Chinese public listed companies. *Global Finance Journal*, *20*(2), 153–164.

Lin, X., & Zhang, Y. (2009). Bank ownership reform and bank performance in China. *Journal of Banking & Finance, 33*(1), 20–29.

Luo, Y., & Jackson, D. (2012). Executive compensation, ownership structure and firm performance in Chinese financial corporations. *Global Business and Finance Review*, *17*(1), 56–74.

Marais, H. (2009). The impact of the global recession on South Africa. *Elcano Newsletter*, (58), 1–9.

Margolis, J., & Elfenbein, H. (2008). Doing well by doing good: Don’t count on it. *Harvard Business Review, 86*(1), 19–20.

Mascarenhas, B. 2009. The emerging CEO agenda. *Journal of International Management, 15*(3), 245–250.

McKenzie, R., Mfongeh, G., Mohamed, S., Ncube, P., & Strauss, I. (2017). The South African Financial System. FESSUD, Johannesburg, South Africa. Retrieved from http://fessud.eu/wp-content/uploads/2012/08/FESSUD_The-South-African-Financial-System_15.pdf

Mengistae, T., & Colin Xu, L. (2004). Agency theory and executive compensation: The case of Chinese state-owned enterprises. *Journal of labor Economics*, *22*(3), 615–637.

Merhebi, R., Pattenden, K., Swan, P. L., & Zhou, X. (2006). Australian chief executive officer remuneration: pay and performance. *Accounting & Finance*, *46*(3), 481–497.

Murphy, K. (1985). Corporate performance and managerial remuneration: an empirical analysis. *Journal of Accounting and Economics*, *7*(1-3), 11–42.

Murphy, K. (1986). Incentives, learning and compensation: A theoretical and empirical investigation of labour contracts. *Rand Journal of Economics*, *17*(1), 59–76.

Murphy, K. J. (1998). Executive pay. *CEO Publications. G98-9*(397), 1–91.

Naik, M. (2016). *Executive director remuneration, company performance and executive director profiles for South African companies listed on the Johannesburg Stock Exchange [JSE]* (Unpublished doctoral dissertation). University of the Witwatersrand, Johannesburg, Gauteng, South Africa. Retrieved from https://pdfs.semanticscholar.org/ d4ee/4ae3c380 c23a4daed497da1bd4d58a6f2fad.pdf

National Bureau of Statistics of China [NBoSoC]. (2017). *China Statistical Yearbook 2017*. Beijing, China: China Statistics Press.

Nedbank Limited [Nedbank]. (2019). *Overview.* (Online). Retrieved from https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/Group-overview.html

Nicola, C., Giuseppe, M., Martina, C., & Giuseppe, S. (2016). Relationship between CEO pay and total shareholder return: an empirical analysis in the Italian context. *Corporate Ownership & Control, 13*(4), 182–187.

Odainkey, H. N. & Simpson, S. N. Y. (2013). Ensuring accountability in state-owned enterprises: Examining the role of annual reports from a middle income country's perspective. *The Journal of Institute of Public Enterprise, 36*(1 & 2), 2–19.

Organ, M. (2017). *Cause Marketing – Definition*. Retrieved from https://causemarketing.com/research/cause-marketing-definition/

Otieno, D. O. A. (2011). *The relationship between financial performance and executive remuneration in South African State Owned Enterprises: An agency theory perspective.* (Unpublished master's thesis). University of Johannesburg, Johannesburg, Gauteng, South Africa.

Peck, R., Olsen, C., & Devore, J. L. (2015). *Introduction to statistics and data analysis.* Boston, MA., USA: Cengage Learning.

Peel, G. (2008, November 24). Gold ready to rumble. *FNArena.* Retrieved from http://staging.fnarena.com/index.php/2008/11/24/gold-ready-to-rumble/.

Pinto, J. E., Henry, E., Robinson, T. R., Stowe, J. D., & Wilcox, S.E. (2020). *Equity Asset*

Valuation. Toronto, Ontario, Canada: John Wiley & Sons.

Priem, C. M. (2016). *Corporate governance, CEO compensation and total shareholder returns in South Africa* (Unpublished master's thesis). University of the Western Cape, Bellville, Western Cape, South Africa. Retrieved from http://etd.uwc.ac.za/xmlui/bitstream/handle/11394/5586/Priem_cm_mcom_ems_2017.pdf?sequence=1&isAllowed=y.

Puzzanghera, J. (2014, January 20). 85 richest people own as much as bottom half of population, report says. *Los Angeles Times*. Retrieved from https://www.latimes.com/business/la-fi-mo-oxfam-world-economic-forum-income-inequality-20140120-story.html

Rekker, S. A., Benson, K. L., & Faff, R. W. (2014). Corporate social responsibility and CEO compensation revisited: Do disaggregation, market stress, gender matter? *Journal of Economics and Business, 72*(2014), 84–103.

Rena, R., & Msoni, M. (2014). Global financial crises and its impact on the South African economy: A further update. *Journal of Economics, 5*(1), 17–25.

Roux, A. (2017). *Everyone's guide to the South African economy* (12th ed.). Cape Town, Western Cape, South Africa: Zebra Press. Retrieved from https://books.google.co.za/books?hl=en&lr=&id=iQ5bDwAAQBAJ&oi=fnd&pg=PT8&ots=9P6it_XldU&sig=6YcilJl45JaTECIKWCdJYAhQhsI&redir_esc=y#v=onepage&q&f=false

Russo, M. V., & Fouts, P. A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal, 40*(3), 534–559.

Scholtz, H. E., & Smit, A. (2012). Executive remuneration and company performance for South African companies listed on the Alternative Exchange (AltX). *Southern African Business Review*, *16*(1), 22–38.

Sforza, L. (2013, November 22). Governance rules for executive pay – The EU and G20 perspectives [online]. *Benefits & Compensation International*. Retrieved from https://www.slideshare.net/mslgroup/governance-rules-for-executive-pay-the-eu-and-g20-perspectives-by-leonardo-sforza

Shanghai Pudong Development Bank [SPDB]. (2019). Overview. (Online). Retrieved from https://www.sigchina.com/index.php?m=content&c=index&a=show&catid=72&id=12

Shanghai Stock Exchange [SSE]. (2019). *Overview.* (Online). Retrieved from http://www.sse.com.cn/aboutus/sseintroduction/introduction/.

Shaw, P. (2011). *CEO pay-performance sensitivity in South African financial services company.* (Unpublished MBA research report). Gordon Institute of Business Science, University of Pretoria, Pretoria, Gauteng, South Africa.

Shenzhen Stock Exchange [SZSE]. (2019). *Overview.* (Online). Retrieved from http://www.szse.cn/aboutus/sse/introduction/index.html.

Shim, E. D., & Kim, E. (2015). An empirical examination of the relationship between top executive compensation and firm performance in the post Sarbanes-Oxley period. *Advances in Management Accounting*, *25*, 207-228.

Singh, P., & Agarwal, N. C. (2003). Executive compensation: Examining an old issue from

new perspectives. *Compensation & Benefits Review*, *35*(2), 48–54.

South African Country Review of Collective Bargaining. (2010/2011). *Collective Bargaining support for building trade union organisation in Africa*. Retrieved from http://adapt.it/adapt-indice-a-z/wp-content/uploads/2015/02/ labour_relations_2010.pdf.

Stathopoulos, K., Espenlaub, S., & Walker, M. (2005). The compensation of UK executive directors: lots of carrots but are there any sticks? *Competition & Change*, *9*(1), 89–105.

Statistics South Africa [StatsSA]. (2018). P0441 – Gross Domestic Product [GDP] (4th Quarter 2018). Statistics South Africa. Pretoria, Gauteng, South Africa. Retrieved from http://www.statssa.gov.za/publications/P0441/P04414thQuarter2018.pdf

Surve, Y. (2008). *The effect of institutional shareholders on the level and mix of South African Chief Executive Officers' compensation* (Unpublished master's thesis). University of the Witwatersrand, Johannesburg, Gauteng, South Africa. Retrieved form https://core.ac.uk/ download/pdf/39666383.pdf

Swatdikun, T. (2013). *Executive pay-performance sensitivity and its consequences: empirical evidence on the role of ownership in Thailand* (Unpublished doctoral dissertation). University of Southampton, Southampton, England, United Kingdom. Retrieved from https://eprints.soton.ac.uk/348683/1/Thesis_Trairong%2520Swatdikun%2520Final%252 0version.pdf

Tamasiunaite, I. (2016). *CEO stock option compensation: Investigation of economic periods* (Unpublished master's thesis). Erasmus School of Economics, Erasmus University Rotterdam, Rotterdam, the Netherlands.

The Standard Bank of South Africa Limited [Standard Bank]. (2019). *Overview.* (Online). Retrieved from https://standardbank.com/standimg/StandardBankGroup/web/aboutUs.html

Theunissen, M. (2012). *An application of Data Envelopment Analysis to benchmark CEO remuneration* (Unpublished doctoral dissertation). North-West University, Potchefstroom, North West Province, South Africa.

Theunissen, M., & Oberholzer, M. (2013). An application of data envelopment analysis to benchmark CEO remuneration: A South African study. *The Journal of Applied Business Research, 29*(5), 1509–1522.

Tosi, H. L., Werner, S., Katz, J. P., & Gomez-Mejia, L. R. (2000). How much does performance matter? A meta-analysis of CEO pay studies. *Journal of Management, 26*(2), 301–339.

Van Vugt, F. (2013). *Examining the effects of a global crisis on CEO compensation: Fortune 100 evidence* (Unpublished IBA Bachelor's Thesis). University of Twente, Faculty of Management and Governance, Enschede, The Netherlands.

Vieito, J. P. T. (2012). Gender, top management compensation gap, and company performance: Tournament versus behavioral theory. *Corporate Governance: An International Review, 20*(1), 46–63.

Virmani, A. (2005). *China's Socialist Market Economy: Lessons of Success*. Working paper No. 178). New Delhi, India: Indian Council for Research on International Economic Relations (ICRIER).

Viviers, S. (2015). Institutional proxy voting in South Africa: Process, outcomes and impact. *South African Journal of Business Management*, *46*(4), 23–34.

Weaver, S. C. (2001). Measuring economic value added: A survey of the practices of EVA proponents. *Journal of Applied Finance*, *11*(1), 50–60.

Wegner, T. (2012). *Applied Business Statistics. Methods and Excel-based applications.* Claremont, Cape Town, Western Cape, South Africa: Juta.

Wei, S. J. (2000). How taxing is corruption on international investors? *Review of economics and statistics*, *82*(1), 1–11.

Wells, H. (2002). The cycles of corporate social responsibility: An historical retrospective for the twenty-first century. University of Kansas Law Review, 51, 77–140. Retrieved from https://pdfs.semanticscholar.org/2388/284ee8b829a9fb1e4d53dd61a38f49ffa654.pdf.

WorldatWork. (2015). WorldatWork introduces Revised Total Rewards Model [online]. Retrieved from https://www.worldatwork.org/adimLink?id=78737

Xiao, C. (2004). What are the top executives responsible for? Discussion on CEO's executive power. *Chinese and foreign enterprise culture Journal, 2004*(05), 60–62.

Zhou, W., Georgakopoulos, G., Sotiropoulos, I., & Vasileiou, K. Z. (2011). The impact of executive payment on firm performance of the financial enterprises in China. *Asian Social Science, 7*(8), 65–80. http://dx.doi.org/10.5539/ass.v7n8p65

Zuma, J. (2012). *Top executives should agree to wage freeze.* Media statement by President

Jacob Zuma on the conclusion of the Social Dialogue Meeting on the State of the Economy held on 17 October 2012 at Pretoria. Retrieved from https://www.politicsweb.co.za/documents/top-executives-should-agree-to-wage-freeze--jacob-

APPENDICES

Appendix A: English translation of Fu (2018) article.

HOW BIG IS THE INCOME GAP IN CHINA?

Author: Yifu Fu

At present, Chinese residents' consumption is showing a "grading" trend:

On the one hand, the high-speed rail is full, the occupancy rate of five-star hotel rooms is rising, and the per capita shopping consumption abroad is leading the global consumption upgrade; on the other hand, the consumption can be cooked at home, never go to the restaurant, and the bicycle can be used as much as possible.

The reason for this coexistence of ups and downs is that there is a large income gap between the residents, which in turn causes the differences in the marginal consumption tendencies of different income groups.

So, how big is the income gap between Chinese people? After reading this article, you will have a relatively intuitive understanding.

Resident income Gini coefficient has exceeded the warning line

When measuring the income gap of residents, there is an internationally-used indicator called the Gini coefficient.

Specifically, the value of the Gini coefficient is between 0 and 1. If the Gini coefficient is 0, it means that the income distribution between residents is an absolute average, that is, the income between people is completely equal; if the Gini coefficient is 1, then It shows that the income distribution among residents is absolutely unfair, and 100% of the income is completely occupied by the people in one unit. In other words, the smaller the Gini coefficient, the more even the income distribution, and the larger the Gini coefficient, the more uneven the income distribution. Internationally, 0.4 is usually used as a warning line for the gap between rich and poor. If the Gini coefficient is greater than this value, there is a

potential risk of social problems.

Wind data shows that since the Gini coefficient of my country's residents' income exceeded the warning line for the first time in 2000, it generally showed a stable trend after climbing first. But it is worth noting that since 2003, the Gini coefficient has never been lower than 0.46, and in the past three years, it has increased year by year, from 0.462 in 2015 to 0.467 in 2017 (see Figure 1).

Figure 1

On this basis, we can further examine the number of residents in the country in five equal groups according to the statistical caliber of the China Statistical Yearbook and according to the different income levels. It can be clearly seen from Figure 2 below that the top 20% of residents with the highest income level in China had a per capita disposable income of 5,925,5 yuan in 2016, far ahead of the other 80% of the population; even the middle-level For the upper-income group, the per capita disposable income in 2016 was only 31990.4 yuan, just over half of the high-income group; while the lowest income 20%, the per capita disposable income in 2016 was only 5528.7 yuan, less than the high-income group 1 /10.

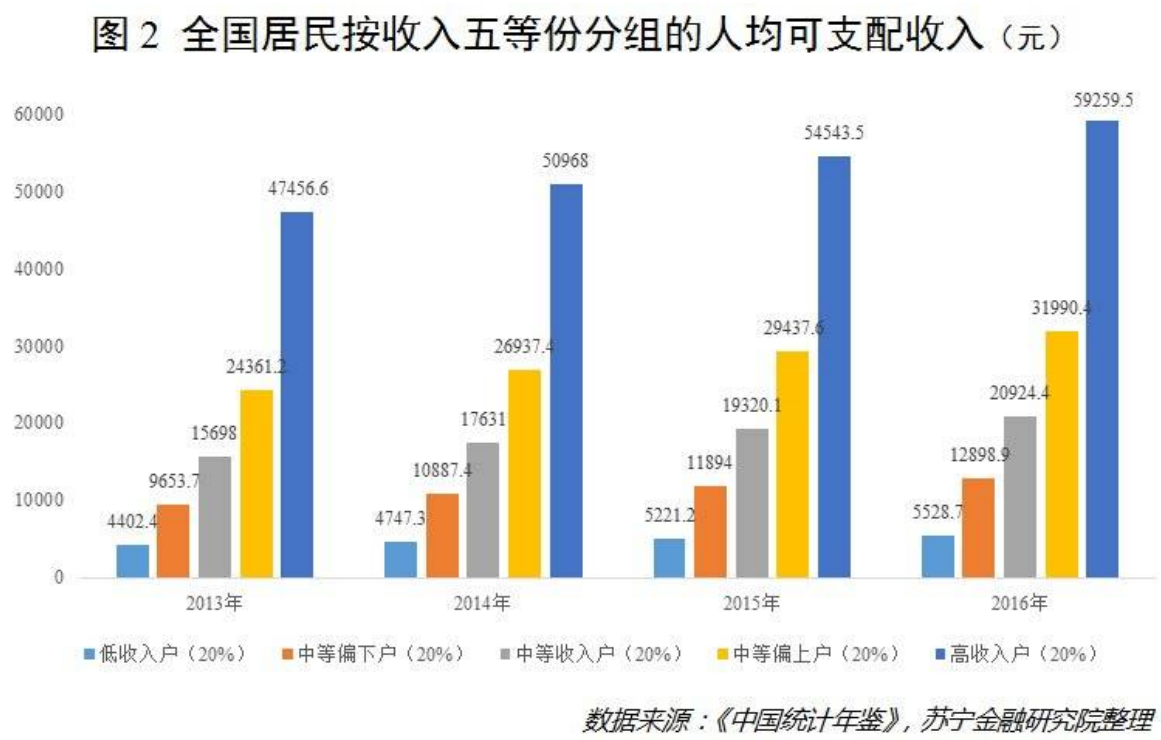


Figure 2

The wage gap between different industries is large

From the perspective of the industry to which the Chinese work belongs, the income gap between people in different industries is quite different.

Since wages are the main source of income for the vast majority of people, we can look at the changes in the average wages in various industries. According to the classification standards for industries in the China Statistical Yearbook, it can be clearly seen that since reform and opening up, the industries with the highest per capita wages include power and gas, mining, finance, and information and computer software industries. As well as the information computer software industry (see Table 1).

These industries generally exhibit two characteristics: First, they belong to the knowledge and capital-intensive field, and second, they are monopolistic and resource-based. In contrast, the average wage of agriculture, forestry, animal husbandry and fishery is almost always the lowest in all industries, which may be related to the low added value of agricultural products and labor-intensive characteristics.

Table 1

表 1 1978-2017 年按行业分城镇单位人均工资最高与最低统计

年份	人均工资最高行业及平均工资水平（元）		人均工资最低行业及平均工资水平（元）		差值	比值
1978	电力煤气	850	社会服务	392	458	2.17
1990	采掘	2718	农林牧渔	1541	1177	1.76
2000	金融保险	13478	农林牧渔	5184	8294	2.60
2005	信息传输、计算机服务业和软件业	38799	农林牧渔	8207	30592	4.73
2010	金融业	70146	农林牧渔	16717	53429	4.20
2017	信息传输、计算机服务业和软件业	133150	农林牧渔	36504	96646	3.65

数据来源：《中国统计年鉴》，苏宁金融研究院整理

From the perspective of the wage gap, the gap between the electricity and gas industry with the highest per capita wage in 1978 and the social service industry with the lowest per capita wage was only 458 yuan. However, over time, the gap between the highest and lowest per capita wages has widened. By 2017, the information computer software industry with the highest per capita wage was 96,646 yuan more than the agriculture, forestry, animal husbandry and fishery with the lowest per capita wage, which means that a financial practitioner with an average salary can earn more than a farmer a year. Nearly 100,000 yuan, and this gap has a tendency to continue to increase.

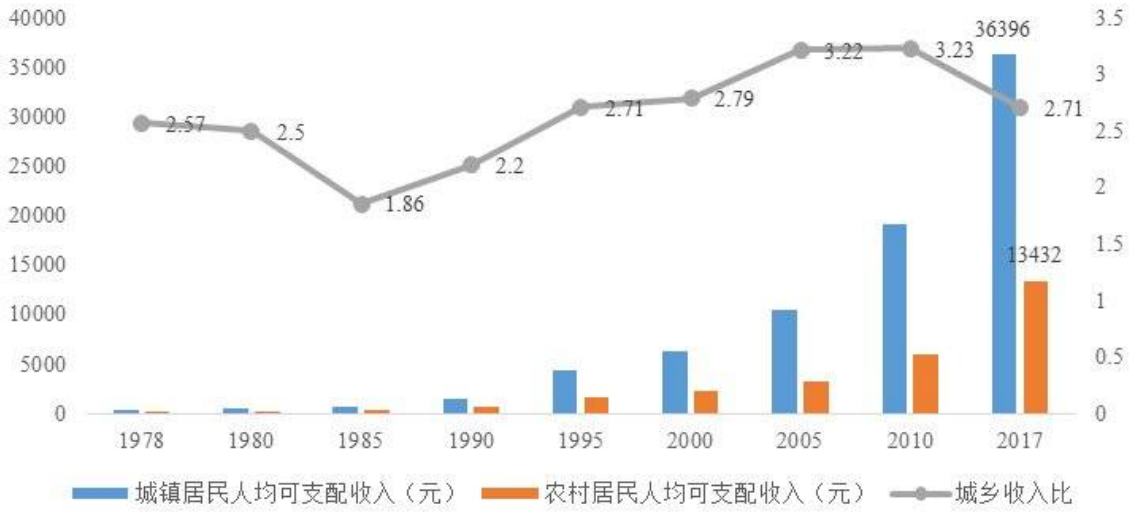
However, from the perspective of the ratio, since 2005, the relative gap between the highest and lowest industries in China's average wage level has gradually narrowed, which was 3.65 in 2017, but this value is still much higher than before 2000, reflecting The level of wage income among industries in China is still increasing.

The urban-rural per capita disposable income gap is increasing

The income gap between Chinese people is also reflected between urban and rural residents.

Since the reform and opening up, my country’s urban and rural residents’ income levels have increased significantly. However, it cannot be ignored that the income gap between urban and rural residents is increasing.

图 3　1978-2017 年城乡居民人均可支配收入比较



数据来源：《中国统计年鉴》，苏宁金融研究院整理

Figure 3

As can be seen from Figure 3 above, in 1978, the per capita disposable income of urban and rural residents in China was 343.4 yuan and 133.6 yuan respectively; by 2017, the per capita disposable income of urban and rural residents rose to 36396 yuan and 13432 yuan, respectively, 1978 106 times and 100.5 times of the year. Judging from the gap between the disposable income of urban and rural residents over the years, it was 209.8 yuan in 1978, and it has climbed to 22964 yuan in 2017.

However, judging from the income ratio of urban and rural residents, after a long-term climb, it has begun to decline in recent years, which was 2.71 in 2017, which is much lower than the 3.23 in 2010. This shows that although the absolute difference in income between urban and rural residents is increasing, the relative difference has eased.

In general, China's urban and rural development is still uneven, the dual economic structure is still serious, rural productivity levels have long been lower than urban areas, and the household registration system has restricted the flow of rural population to urban areas; at the same time, due to the characteristics of agriculture itself, The added value of agricultural products is lower than that of industrial and service products, resulting in a relatively slow increase in farmers' income.

The income gap of residents in different regions is obvious

Considering the spatial dimension, different provinces, municipalities and autonomous regions have different incomes due to differences in economic development.

According to data from the National Bureau of Statistics, the top five provinces and cities with the highest per capita disposable income of residents in various regions of the country in 2017 were Shanghai, Beijing, Zhejiang, Tianjin and Jiangsu, while the lowest five provinces and cities were Tibet, Gansu, Guizhou, Yunnan and Qinghai. Among them, the highest per capita disposable income in Shanghai is 58987.96 yuan, and the lowest in Tibet is only 15457.9 yuan, which is only slightly higher than a quarter of Shanghai. The income gap can be seen (see Figure 4).

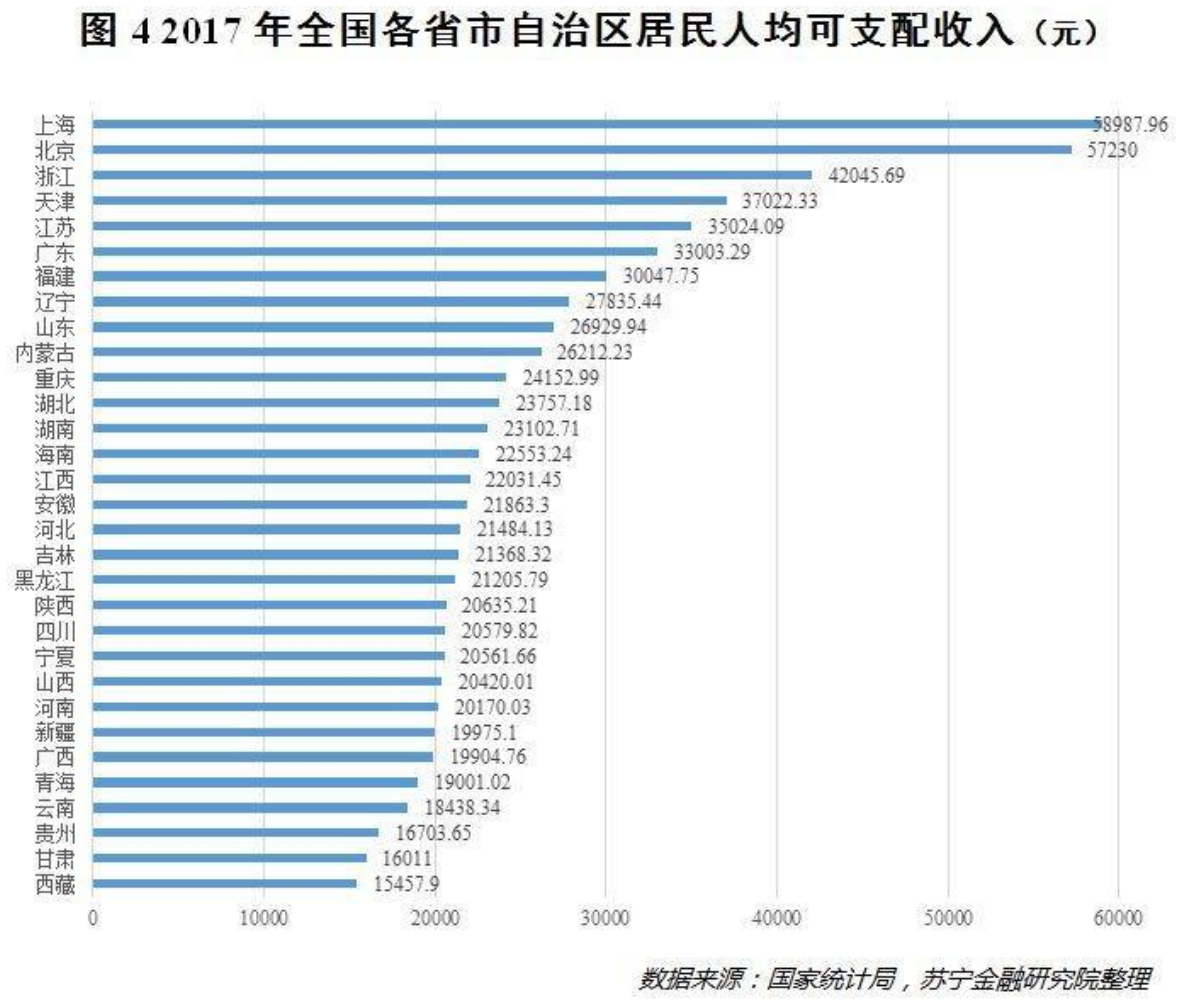


Figure 4

Judging from the comparison of the income levels of urban and rural residents in the eastern,

central, western and northeastern regions, the income levels of residents in the eastern region are significantly higher than those in the central, western and northeastern regions. According to 2016 data, from the perspective of per capita disposable income of urban residents, the eastern region is 1.39 times that of the western region; from the perspective of per capita disposable income of rural residents, the eastern region is 1.56 times that of the western region. If we compare the per capita disposable income of urban residents in the east and rural residents in the west, the gap is undoubtedly greater, the former is nearly four times that of the latter (see Table 2).

Table 2

表 2　2016 年城乡居民人均可支配收入比较

	东部地区	中部地区	西部地区	东北地区
城镇居民人均可支配收入（元）	39651	28879.3	28609.7	29045.1
农村居民人均可支配收入（元）	15498.3	11794.3	9918.4	12274.6

数据来源：《中国统计年鉴》，苏宁金融研究院整理

It's time to strengthen the "people-oriented" thinking

So far, through the inspection of the above dimensions, I believe that you have an overall grasp of the income status of the Chinese. No matter which aspect is analyzed, the large income gap between residents is not conducive to the long-term development of the national economy. It will not only cause insufficient domestic demand, but also affect the further optimization of the economic structure. Therefore, it is necessary for my country to make more efforts in regulating the distribution of national income, such as optimizing the redistribution link, rationally using fiscal and taxation tools, accelerating the pace of urbanization, and promoting the equalization of basic public services.

In addition, as the country's material wealth is accumulating, we can appropriately change our thinking and shift the development theme to the overall improvement of the people's living standards and quality, that is, to strengthen the "people-based" thinking. For this, let’s take a look at the “National Income Multiplier Plan” that was launched in Japan in 1960 and achieved remarkable results ten years later. Its essence is to use the growth of national income to drive the growth of total economic growth, not the growth of total economic growth. To drive the growth of national income.

For ourselves, while facing the income gap of residents, we should also realize the value-added of ourselves and wealth through reasonable allocation of our assets, continuous improvement of our knowledge reserves, business level and various capabilities, so as to ensure that we can get more in the future. High income compensation.

Appendix B: Editorial Certificate

Idea Corporation t/a
AQUARIAN PUBLICATIONS

04 August 2020

To whom it may concern

Dear Sir/Madam

RE: Editorial certificate

This letter serves to prove that the thesis listed below was language edited for proper English, grammar, punctuation, spelling, as well as overall layout and style by myself, publisher/proprietor of Aquarian Publications, a native English speaking editor.

Thesis title

A COMPARISON ANALYSIS OF CEO COMPENSATION RELATED TO SHAREHOLDERS VALUE: SOUTH AFRICA VERSUS CHINA HOLDING BANKS

Author

Danchen Meng

The research content, or the author's intentions, were not altered in any way during the editing process, and the author has the authority to accept, or reject my suggestions and changes.

Should you have any questions or concerns about this edited document, I can be contacted at the listed telephone and fax numbers or e-mail addresses.

Yours truly

E H Londt
Publisher/Proprietor

STREET ADDRESS
9 Dartmouth Road
Muizenberg 7945

POSTAL ADDRESS
P O Box 00000
Muizenberg 7946

TELEPHONE
021 788 1577

FAX
021 788 1577

MOBILE
076 152 3853
082 878 9509

E-MAIL
eddi.idea@gmail.com
eddi.aquarian@gmail.com
eddi.londt@gmail.com

WEBSITE
www.aquarianpublications.com

PUBLISHER/PROPRIETOR
E H Londt