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**THE RELATIONSHIP BETWEEN CEO REMUNERATION AND
COMPANY PERFORMANCE IN THE SOUTH AFRICAN BANKING
SECTOR.**

Abstract:

Given South Africa's expanding salary inequality, combined with excessive risk taking by bank executives, this paper investigates whether bank CEO remuneration is justified by bank performance. This study used panel data analysis to determine if there is a long-term relation between CEO remuneration and company performance in the South African banking sector. The detailed analysis, spanning 2009 - 2021 considers market and accounting performance to measure company performance. Agency theory and optimal contract theory is used to consider the historical and current tendency in CEO remuneration, including King IV and its 'say-on-pay' provision. This study found that there is a long-term relation between CEO total remuneration and company performance in the South African banking sector, but not between CEO short-term and long-term remuneration and company performance. The result of this study offers a better understanding of the relationship between CEO remuneration and company performance in the South African banking sector.

Keywords:

CEO remuneration, company performance, banking sector, corporate governance, agency cost, agency theory

JEL Classification: G30