



Review

# Board Compensation in Financial Sectors: A Systematic Review of Twenty-Four Years of Research

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**Abstract:** We aim to provide a comprehensive systematic analysis of scholarly publications in the field of board compensation in financial sectors extending through the years 1987 to 2021. Hence, the most notable themes, theories, and contributions to the literature are identified, and research developments over time are evaluated. With the identification of a final sample of 87 research papers indexed in Scopus, we identify research gaps to provide insight into future research following a systematic method. The results revealed that the United States of America received the broadest research interest, along with cross-country research. While the literature lacked to provide investigations for other countries of the world. Although the effect of compensation on organizational outcomes (performance and grow) is still unclear in the literature, several factors have been introduced as key drivers of the compensation, including the country's level of development, the development of equity markets, the development of banking system, its dependence on foreign capital, collective rights empowering labor, the strength of a country's welfare institutions, employment market forces, and social order and authority relations. On a theoretical level, agency theory has been most popular in the literature, along with providing multiple theoretical frameworks with agency theory as a slack resources theory, managerial talent theory, and managerial power theory. This is the first research to our knowledge that used a systematic review (SR) of literature to give a complete and comprehensive evaluation of the literature on board compensation in the financial sector. The current study documents the flow of literature on the board's compensation in the financial sectors over 24 years and establishes future research opportunities.

**Keywords:** corporate governance; board compensations; firm performance; banks; agency theory



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## 1. Introduction

For decades, the issue of board compensation has steered several researchers' compass globally, as compensation is thought to have many dimensions and influence the positions and effectiveness of boards of directors. Compensation is regarded as one of the determinants of good governance charged to shareholders as a cost (Al Amosh 2022), and it may serve as an incentive for managers to carry out their responsibilities efficiently and to improve company performance in order to maximize shareholder value (Al Amosh and Khatib 2021). CEOs and executives are companies' effective strategic decision-makers who are likely to engage in opportunistic behavior that creates a potential conflict of interest with shareholders (Deutsch et al. 2011), which may spark agency issues. As a result, adopting an appropriate compensation policy will benefit the shareholders, allowing them to achieve their goals while also increasing trust between the agent and the client (Ryan and Wiggins 2004). In this regard, a set of mechanisms aimed at reconciling the interests of the agent and the principal, such as managerial ownership and outsider ownership,

have appeared on the horizon. This is to align managerial interests with the firm owners' interests and ensure compatibility between management and shareholders.

Board compensation has been shown to be correlated with firm performance, bankruptcy, earnings management, bank stability, mergers, and a variety of other variables, but the findings remain equivocal. For example, [Ghazali and Yahya \(2017\)](#), who studied the association between firm performance and CEO compensation, concluded that CEO compensation negatively impacts company performance due to increased managerial power, cronyism, rent extraction, or poor corporate governance. On the other hand, [Liu and Sun \(2022\)](#) discovered that future company performance is favorably correlated with bank CEO remuneration for banks with a greater level of financial expertise among independent directors than for other banks. Despite these contradictory results, no review studies on this vital issue have been conducted. Existing assessments have evaluated various characteristics of corporate governance, including board diversity ([García-Meca 2016](#); [Owen and Temesvary 2019](#)), inequality ([John et al. 2016](#)), and independence ([Guthrie et al. 2012](#)). Consequently, there is a need for a complete evaluation of the existing body of information in order to assess and build upon present discoveries and identify areas for future study.

Experimentally, and despite the fact that board compensation is a global issue and includes various institutions within the countries of the world, the literature has focused mainly on the United States of America ([Tian and Yang 2014](#); [Chhaochharia and Grinstein 2009](#); [Halllock 1997](#)), where it appears that the global financial crisis piqued the interest of researchers to conduct more investigations into executive compensation and large financial perks and their relationship to the global financial crisis. Despite paying incentives to avoid excessive risk-taking, compensation plans were designed that promote excessive risk-taking, especially in financial firms. The financial sector is different in terms of the pervasive role of regulation and the opaque nature of its main activities. Financial companies are subject to more strict regulations and compliance standards ([Khatib et al. 2021](#)). Due to the availability of loan activities, banks are exposed to more risk and making information asymmetry an acute agency issue for banks. Lastly, directors are responsible for making and approving all key decisions that exert a substantial influence on the efficiency and performance of these institutions. [Iqbal and Vähämaa \(2019\)](#) argued that given that the compensation policies of top executives are generally designed to mitigate agency problems and maximize shareholder value, the incentives generated by executive compensation may encourage excessive risk-taking in the financial industry. This substantial difference in the financial institutions means there is a need to increase the research on board compensation in this sector as only a few empirical papers look at the compensation of the financial sector, and none attempts to review the existing knowledge on this topic ([Von Ehrlich and Radulescu 2017](#)).

This article seeks to address the gap in the literature about the role of board compensation in financial institutions. Our paper mainly aims to assess the previous literature investigating boards of directors' compensation through a systematic review. Therefore, our study attempts to answer the following research questions:

- RQ 1. What is the state of the art of research on board compensations in financial institutions?
- RQ 2. What is the intellectual structure of research in this area (focus and criticisms)?
- RQ 3. What are the existing gaps and areas for future research in this area?

This is the first research to our knowledge that used a systematic review (SR) of literature to give a complete and comprehensive evaluation of the literature on board compensation in the financial sector. A systematic approach is used to evaluate relevant research articles, and multiple research recommendations are also provided in addition to the traditional narrative review approach. In addition to helping identify significant gaps in research, systematic literature reviews contribute to theory development, guide future research, and contribute to reproducible, transparent, and systematic review processes. This also study benefits a wide range of stakeholders, including regulators, auditors, management, and scholars, since it offers insights into board compensation in the financial industry because, despite ongoing policy efforts, it is still a major concern among various

stakeholders (Słomka-Gołębiowska 2013; Andrés et al. 2019). In addition, it demonstrates the significance of board compensation in financial sectors and its effect on many aspects of corporate governance, such as firm performance, stability, risk-taking, and earnings management. Lastly, using SR and the literature synthesis, this study offers various next research directions for board compensation. By doing this, we come up with possible future research questions that could be used to look into parts of this topic that have been overlooked by scholars.

The remainder of the article is organized as follows. Section 2 presents background about board compensation. The research method and the literature review procedure are described in Section 3. Findings, discussions, and proposals for future research are provided in Sections 4 and 5. Section 6 concludes the study.

## 2. Board Compensation of Financial Institutions

Compensation refers to compensation packages tailored to a company's business leaders, senior management, and executive-level staff (Al Amosh 2022; Balsam 2002). Recently, it has occupied a significant portion of corporate governance studies. The dispute over this topic, which has sparked heated debate among academics, practitioners, and policymakers, has intensified in the aftermath of the financial crisis. The fault was placed on ineffectively formed boards and passive shareholders who failed to stop financial companies from awarding excessive CEO salaries (Słomka-Gołębiowska and Urbanek 2016).

Since the financial crisis of 2007–2009, legislators, CEOs, and academics have questioned the level and structure of executive compensation in financial services organizations (Yang 2017). Many critics of financial sector compensation systems credit the crisis, at least in part, to incentive pay that ostensibly encourages excessive risk-taking (Kleymenova and Tuna 2021). The subject of risk-taking has been a major topic in banking research. While banks must operate within regulatory limits, they have discretion in making decisions that can substantially impact the institution's riskiness. The choice of CEO remuneration levels and structures is one area where banks exert discretion. Each bank's remuneration level and structure have an impact on risk-taking and the agency relationship between managers and stockholders (Chen et al. 2006). According to John et al. (1995), managerial compensation influences the firm's investment decisions, and the impacts of these decisions are amplified when moral hazard and managerial discretion are present. As a result, both regulators and stockholders are interested in keeping track of executive compensation in the banking business. The empirical research attribute risk-taking to high pay-for-performance sensitivity (DeYoung et al. 2013).

Board compensation has also been linked to firm performance (Yahya and Ghazali 2015; Ghazali and Yahya 2017; Chou and Buchdadi 2018). Ghazali and Yahya (2017) found that the CEO's salary negatively influences operating performance, which could be attributable to strong managerial control, cronyism, rent extraction, or poor corporate governance. While Ferrero-Ferrero et al. (2014) found that when it comes to the performance variation's sign, pay-performance sensitivity is asymmetrical, negative variation is reported with pay-performance sensitivity being weak. This study supports managerial power theory and casts doubt on the effectiveness of pay-for-performance incentives in aligning executive and shareholder interests. Accordingly, this theory argues that the executive reward design process is linked to business effectiveness in the financial sector and is considered a tool for addressing agency problems (Chen et al. 2011). Although this theory may not definitively predict the sensitivity of pay-for-performance, it may be complementary to the agency's perspective regarding the relationship between shareholders and management to reduce the conflict arising between agents.

## 3. Methodology

This study used a systematic literature review (SLR) due to its effectiveness in comprehensively examining a certain area of study (Khatib et al. 2022a). The SLR technique is common in management, finance, and economics. SLR may provide far more objective

results than standard narrative reviews (Khatib et al. 2022a, 2022b). A further advantage of employing SLR is that it reduces subjective and biased conclusions and improves the status of the discussion as an investigation since it limits academics' preferences in the selection of sample material.

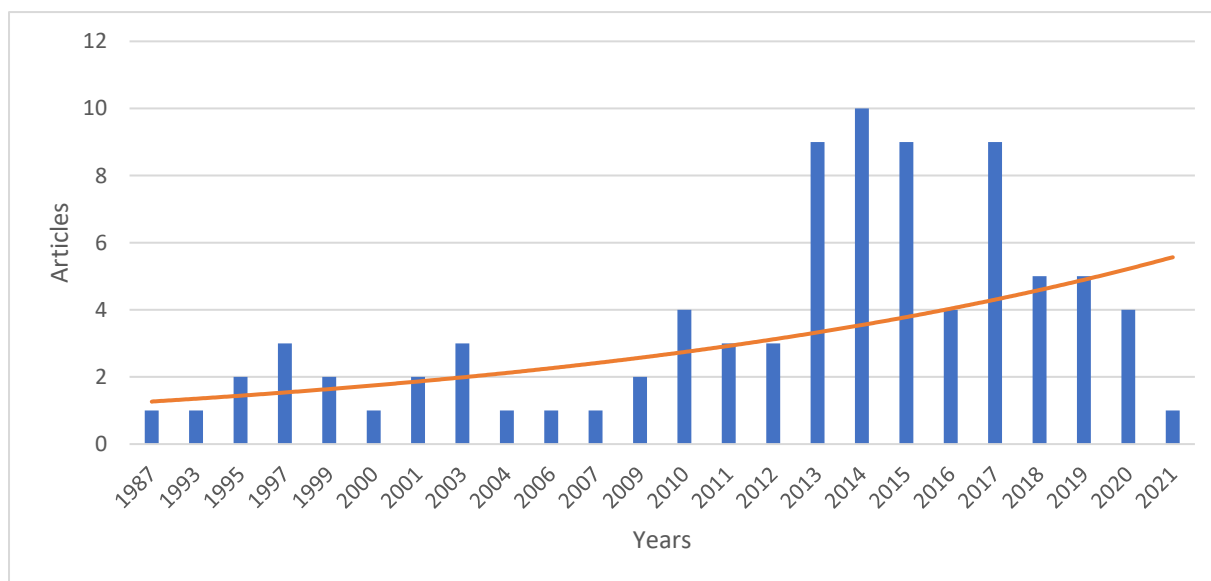
We obtained the sample literature from the Scopus database since it is the largest abstract database in terms of indexing size. Titles, abstracts, and keywords were searched in the Scopus database in a similar way to Vrontis and Christofi (2021), and Hazaea et al. (2022). Hence, the following words were selected as the main search form: "Executive\* Compensation\*" OR "Managerial\* Compensation\*" OR "Manager\* Compensation\*" OR "Management\* Compensation\*" OR "CEO\* Compensation\*" OR "Incentive Compensation\*" OR "board compensation\*" OR "Compensation\* Committee\*" OR "Compensation\* Package\*" OR "Compensation\* Consultant\*" OR "Compensation\* Structure\*" OR "Compensation\* System\*" OR "Managerial Incentive\*" AND Bank\* OR "trust compan\*" OR "insurance compan\*" OR "brokerage\* compan\*" OR "investment compan\*" OR "financial compan\*" OR "trust firm\*" OR "insurance firm\*" OR "brokerage\* firm\*" OR "investment firm\*" OR "financial firm\*" OR "financial institution\*" were used to look for research on the topic under consideration. The literature's keywords, abstract, and title were searched using the aforementioned keywords. A total of 634 articles made up the investigation's original sample size. The investigation's initial sample size was 634 articles. This sample was then limited to publications published in English alone, which resulted in 621 articles. Then we omitted articles unrelated to business management, finance, and economics, resulting in 401 articles. Finally, we eliminated 286 papers that were neither journal articles nor conference proceedings. Next, we followed Vrontis et al.'s (2021) approach to providing a more precise definition of articles to determine relevance and eligibility. We carried out a full-text check of the articles; after this sorting process, we excluded 28 articles to reach a final sample that included 87 research papers. These studies were selected as they explicitly address the board compensations topic in financial institutions.

A systematic review of 87 Scopus-indexed papers was conducted by this study, covering the years 1987 through 2021. The study findings reveal that there has been an increase in studies recently that have considered board compensation. We also discovered that certain nations had been overlooked in prior work, especially those that are regarded as developing nations. Also, the attention given to some countries, such as the USA, is rather sufficient. The debate concerning board compensation is slightly covered among private institutions, small-medium enterprises (SMEs), as well as non-profit organizations. On the other hand, publicly listed companies across all sectors were sufficiently covered. Our results also show that agency theory has become more popular and has sometimes been used by combining it with another theory.

## 4. Results and Discussion

### 4.1. Yearly Trends

Based on Figure 1, it seems clear that the number of studies addressing board compensation had increased significantly from 1987 to 2021, especially in 2014, when 10 articles addressed board compensation. It is worth noting that most of the studies were published between 2014 and 2018. Compensation for board members has been a topic of significant debate for various reasons. First, board compensation has gained a great deal of attention due to the growing legal requirements and the progressively complex environment within which firms operate (Kolev et al. 2019). Second, the literature increasingly addresses executive compensation following the widespread calls for better corporate governance, especially in countries that employ the two-tier governance system that requires establishing two boards: management and supervisory boards (Core et al. 1999; Schöndube-Pirchegger and Schöndube 2010). While the management board is in charge of managing firms' operations, the monitoring function of the supervisory board was highlighted as a means to mitigate agency issues caused by the separation of ownership and management of a company (Wu 2013).



**Figure 1.** The yearly-linear trend of related published studies.

Third, it seems that there has been an increase in the number of studies addressing the topic of board compensation since it has been argued that it varies across firms in relation to a group of firm-level characteristics such as firm's performance (Barontini and Bozzi 2011), financial leverage (Nguyen 2014), size (Adams and Ferreira 2009). Undoubtedly, top executive pay is positively related to firm size, as outlined by (Firth et al. 1999; Barontini and Bozzi 2011; Brunello et al. 2001). In a competitive environment for managers, top-tier employees may be assigned to top-level positions in a large organization (Rosen 1990). The organizational structure of large firms is generally more complex, with various compensation schemes at different managerial levels (Simon 1957). In addition, larger firms typically earn higher absolute profits than their smaller counterparts. Thus, high executive compensation in a large organization may seem insignificant in comparison to the organization's overall operational cost (Firth et al. 1999). Likewise, high-performing firms may reward their board members with higher salaries. A number of studies have shown that better performing firms often belong to larger companies that are less likely to be reluctant to offer high pay for their board members (Core et al. 1999; Cheng and Firth 2006). It is also likely expected that good performance-driven firms are more attractive to highly qualified managers, who often receive higher salaries.

Also, in a number of studies, it has been noted that board structure determines compensation structure. A board of directors representing shareholders makes compensation decisions in most public companies. Thus, many scholars have noted that board structure significantly influences management compensation. Board compensation is found to be determined by corporate governance variables such as the size of the board (Andreas et al. 2012), board independence (Nguyen 2014), activity (Boyd 1996), as well as interlocking directors (Boivie et al. 2015). There is an expectation that a board of directors has independent directors with certain competencies and experiences to ensure that the management is being properly monitored and the rights of shareholders are fully protected (Jensen and Meckling 1976). According to Fama (1980) and Fama and Jensen (1983), independent directors should make compensation-related decisions since they are better equipped to render unbiased opinions. Crystal (1991) contended, however, that outside directors' decisions concerning compensation structures are ineffective since the CEO effectively hires them. According to Core et al. (1999), this condition results in a compensation plan that is not optimal for the company's bottom line but advantageous to the CEO. In their work, Bebchuk and Fried (2003) explained how such problems can significantly influence compensation arrangements, leading to suboptimal pay practices where board oversight is lacking.



However, there is a dearth of literature discussing the impact of ownership structure on compensation levels. There was evidence of a negative correlation between ownership concentration and managerial ownership with the level of board compensation (Schmid 1997; Oxelheim and Clarkson 2015). According to Cheng and Firth (2006), board members or top managers who own the firm's shares are likely to receive lower salaries due to large dividends and the avoidance of adverse publicity, but they may also receive higher salaries since they may use voting privileges to increase their own salaries. However, mixed results were also found pertinent to the relationship between family ownership, institutional investors, and board compensation (Barontini and Bozzi 2011; Nguyen 2014; Cordeiro et al. 2000).

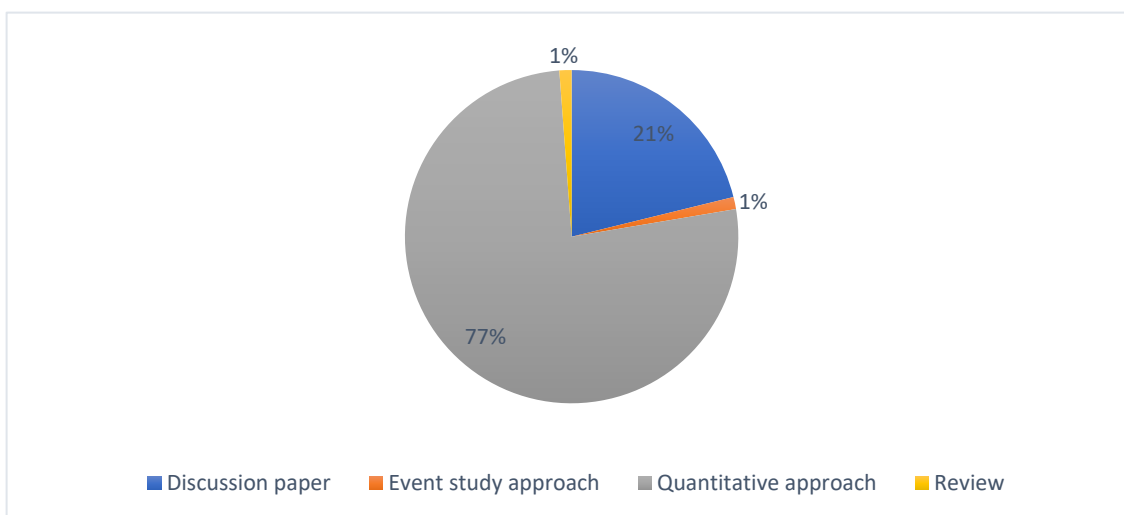
Fourth, there seems to be a growing interest in the subject of board compensation as it has become the focus of new media attention (Dah and Frye 2017). According to their study, Dah and Frye (2017) noted that excessive compensation for directors does raise the question of what directors should receive and draw attention to the fact that directors typically set their own compensation. Likewise, according to Loomis (2010), outside directors being paid high salaries goes against the whole idea that they represent shareholders and are independent decision-makers. They set what can be referred to as "an open-door question," namely, "How does a board member challenge a CEO when the director is being paid oversize amounts likely to be important to his or her lifestyle?". A large body of literature suggests excessive executive compensation is detrimental to shareholders. Core et al. (1999) demonstrated a negative relationship between a firm's predicted performance and the CEO compensation component. Additionally, they show that CEO compensation levels are higher in firms with pronounced agency problems. Also, Brick et al. (2006) proposed a direct and significant relationship between excess compensation for both directors and CEOs. Their research has further demonstrated that the CEOs' and directors' excess compensations are inversely related to future performance. They attributed their results to the consequence of weak corporate governance being practiced and the backscratching between CEO and board members, a practice known as "cronyism". A more recent study by Dah and Frye (2017) showed that over-compensation is more prevalent than under-compensation. Their findings indicated that, in overpaid companies, directors receive an average additional compensation of more than \$60,000 each, while directors receive approximately \$33,000 less in under paid companies. They also indicated that overcompensated directors may likely to contribute to agency problems, leading to decreased turnover sensitivity of CEOs and a decrease in CEO pay-for-performance sensitivity. Therefore, excessive compensation for directors could indicate board entrenchment since overly compensated directors may be less concerned about protecting shareholders' interests.

On the opposite, the study of John and John (1993) suggested that executive compensation can be a valuable tool in aligning the interests of shareholders and management. Based on previous research, it has been suggested by Conyon and He (2004) that a board of directors should design executive compensation packages on the basis of economic determinants, the amount and nature of agency conflict within the organization, and monitoring difficulties. Due to this, the compensation structure of executives will likely depend on shareholders' wealth and, therefore, would act as a powerful incentive for managers to increase shareholder value (Jensen and Murphy 1990).

Overall, researchers are becoming increasingly interested in board compensation as a topic of research, as evidenced by the line trend in Figure 1. We may also see further future research examining the impact of the COVID-19 global pandemic on board compensation. The COVID-19 worldwide pandemic is not merely a health emergency, but the operation of enterprises has been significantly influenced in various directions, including their governance structures, ownership, performance, and technology adoption (Khatib and Nour 2021).

#### 4.2. Research Settings of Prior Studies

Previous studies divided their research methods into four categories: discussion papers, event studies, reviews, qualitative, and quantitative. According to Figure 2, more than 75 percent of the selected literature is quantitative, with only two papers identified as review and event study papers. These studies focused on reactions to the European regulation on bank CEO pay related to shareholder wealth (Díaz Díaz et al. 2017) and theorized the relationship between bank regulation and management compensation (John et al. 2000). Even though empirical research on board compensation has increased in recent years, this study confirms that there are currently no comprehensive reviews. Here, 65 of the studies were quantitative empirical studies, and the great majority (65 publications) were based on archived information. Moreover, the topic of board compensation does not appear to be thoroughly explored using mixed-method, qualitative research, or meta-analyses studies. The results also suggest that no studies use qualitative or mixed-methods techniques in developing countries, even though these methods can provide new insights into the topic.



**Figure 2.** The classification of the method used in related research.

#### 4.3. Regional Analysis

The geographic distribution of the literature sample is examined in this section. According to the research shown in Table 1, the studies were only split across 14 nations, 9 of which were cross-country studies, and 19 were not regional. Research on compensation structures has also been dominated by research conducted in the United States. A study conducted in the United States by Hallock and Murphy (1999) indicated that the number of papers on executive pay increased from one to six per year between 1985 and 1995.

This is due to the long-standing regulation of executive compensation disclosure in the US, which has led to growing empirical research (Brunello et al. 2001). Nevertheless, there are relatively few such studies outside the US, partly because of data availability constraints. For example, Australia came second with three studies. Le et al. (2020) conducted a comparison study to investigate how executive pay within major Australian financial institutions can be determined based on financial performance measures. Another study by Tao and Hutchinson (2013) attempted to identify pay and risk committees' role in controlling and observing the risk behavior of Australian financial businesses before the global financial crisis. Jain et al. (2014) found that average bank executive remuneration is also lower than in other sectors based on analyses of a wide range of potential sources of negative public opinion.

**Table 1.** Regional distribution of the sampled countries.

Row Labels	Count of Number	Percent from Total	Country Type	Count of Number	Percent from Total
Australia	3	3%	Developing countries	10	18%
Brazil	1	1%	Developed countries	48	12%
China	1	1%			
France	1	1%			
India	1	1%			
Indonesia	1	1%			
Japan	1	1%			
Malaysia	1	1%			
Pakistan	1	1%			
Poland	1	1%			
Spain	2	2%			
Switzerland	1	1%			
UK	2	2%			
USA	41	48%			
Not applicable	20	7%			
Cross country	9	9%			
Grand Total	87	100%	Grand Total	58	100%

According to the results, some countries were only studied two times in prior research, such as the UK, while the rest of the countries had fewer than two studies conducted, such as Brazil, China, France, India, Indonesia, Japan, Malaysia, Pakistan, and Poland. Moreover, a number of researchers were interested in exploring the board compensation scheme by conducting cross-country research (nine papers). The majority of these papers were particularly interested in the banking industry. The study by [Cerasi et al. \(2020\)](#) appeared to be the largest cross-country study with a sample of 36 countries. This study assessed whether bank Chief Executive Officers' (CEOs') compensation practices were subject to change as a consequence of the issuance of the Financial Stability Board (FSB) post-crisis guidelines on sound compensation.

Moreover, our findings revealed that 85% of the empirical evidence is provided from a variety of developed markets, such as the United Kingdom, Hong Kong ([Cheng and Firth 2006](#)), Italy ([Brunello et al. 2001](#)), and Japan ([Basu et al. 2007](#)). On the other hand, a lack of evidence on executive compensation disclosure in emerging markets, where public disclosure is relatively weak, is not surprising. Studies have been conducted with the use of data from Spain ([García-Meca 2016](#)), Malaysia ([Hooy and Tee 2014](#)), China ([Jiang et al. 2019](#)), Pakistan ([Ghazali and Yahya 2017](#)), and Indonesia ([Chou and Buchdadi 2018](#)) among others. Overall, our analysis indicates that more research is needed to investigate board compensation in both developing and developed countries where this issue has received little attention.

#### 4.4. Leading Research

According to the citation matrix provided by Scopus, Table 2 presents a list of the most influential research studies on board compensation among scholars. Among the most influential studies, [Sanders and Carpenter \(1998\)](#) came out on top with 623 citations. This study examined the hypothesis that a firm's governance structure can accommodate the complexity of its degree of internationalization by using complementary theories of information processing and agency. Based on a sample of large U.S. firms, it seems that firms respond to inter-nationalization by having higher and longer-term CEO pay to deal with information-processing demands and agency issues. Likewise, another influential study by [Boyd \(1994\)](#) also received 435 citations. This study conducted an analysis of 193 companies in a cross-section of industries to test whether CEOs would attempt to circumvent board control for pay maximizing. The study findings indicated that CEO compensation did not significantly vary by firm size or profitability, despite the hypothesis that CEO salaries were



more in firms with lower levels of control. The study conducted by [Conyon and Peck \(1998\)](#) ranked third with 420 citations. Their study intended to examine how the remuneration committee and board control are likely to influence management pay among large, publicly listed UK firms between 1991 and 1994. Their findings showed that board monitoring, measured by board independence, the dual role of the CEO as a chairman, and the presence of a remuneration committee, had only a limited influence on top managers' pay. Another key finding is that the high representation of outsiders among boards and the presence of compensation committees are likely to reflect better alignment between top management pay and corporate performance. There is a great possibility that these papers dominate the others in terms of citations since they are published a long time ago, thus increasing their chances of being cited ([Ascani et al. 2021](#)). Another potential reason for its importance among researchers could be its publication in high-impact journals and the fact that these studies were conducted in the world's largest economies ([Hazaea et al. 2021](#)).

**Table 2.** The top 10 leading articles in the sampled studies.

Authors	Overview of the Research Findings	Cited by
<a href="#">Sanders and Carpenter (1998)</a>	Results from a sample of large U.S. businesses indicate that a firm's governance structure will manage the complexity arising from its degree of internationalization. Therefore, they recommend that organizations manage and adapt to the information-processing needs and agency concerns resulting from internationalization via the separation of the chair and CEO posts, bigger senior management teams, and higher, longer-term CEO compensation.	623
<a href="#">Boyd (1994)</a>	The research indicated that CEO compensation is greater in organizations with less control. However, there was no substantial correlation between CEO salary and business size or profitability. In addition, this research confirms the previous analysis defining the board as a crucial internal control mechanism and contradicts the assumption that the ratio of insiders is inversely correlated with remuneration.	435
<a href="#">Conyon and Peck (1998)</a>	The findings revealed that boardroom governance frameworks in the United Kingdom continued to change during the early 1990s. The modifications were substantially aligned with many of the reform advocates' proposals for corporate governance. The econometric findings demonstrate a complicated link between management remuneration and internal corporate governance, indicating that boardroom control factors have little direct influence on the amount of management compensation. In addition, the research suggests that the membership of a company's main board and its compensation committee have a significant role in aligning executive remuneration and corporate success.	420
<a href="#">Ryan and Wiggins (2004)</a>	The study concluded that independent directors have a negotiating advantage over the chief executive officer, which results in compensation that is more closely aligned with shareholder interests. When there are more outsiders on a company's board, directors get more equity-based compensation. When the CEO's influence over the board rises, remuneration creates fewer monitoring incentives. Companies with more inside directors and established CEOs employ equity-based compensation less often. Additionally, companies with established CEOs and CEOs who simultaneously serve as board chairs are less likely to substitute cash compensation with stock.	287
<a href="#">Chhaochharia and Grinstein (2009)</a>	Taking into consideration unobservable company effects, time-varying industry impacts, firm size, and performance, this analysis reveals a substantial fall in CEO remuneration for businesses that were more influenced by new board rules established by the main U.S. stock exchanges than less affected firms. The remuneration decline is most significant in the subgroup of impacted enterprises with no outside block-holders on the board and in those with a low concentration of institutional investors. The data implied that the new board requirements influenced CEO remuneration choices.	250

Table 2. Cont.

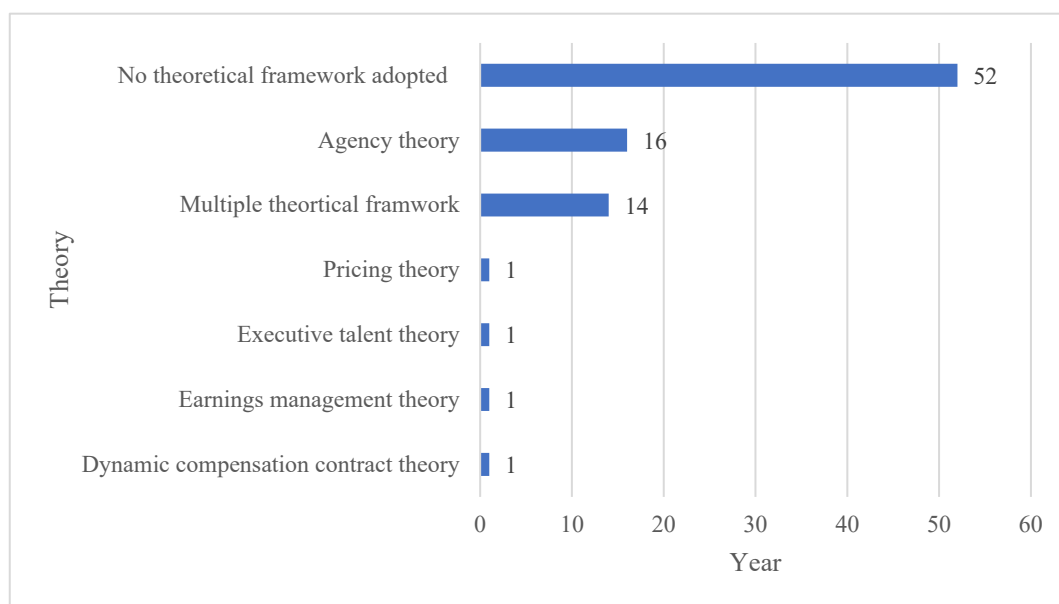
Authors	Overview of the Research Findings	Cited by
<a href="#">Hallock (1997)</a>	CEOs who head entangled businesses get much greater salaries. Also, entangled CEOs tend to run bigger organizations. After adjusting for company and CEO characteristics, the wage disparity has decreased considerably. However, when organizations that are interlocked owing to recorded commercial links are regarded as not interlocked, the measured return to interlock is as high as 17%. There is evidence that the return to interlock was greater in the 1970s than in the early 1990s.	250
<a href="#">Laksmana (2008)</a>	The findings demonstrated that there is some evidence that successful board and committee characteristics are associated with increased shareholder communication about board procedures. Based on the sample from 1993, this research revealed that boards with the authority to act independently of senior management provide more information. Furthermore, it was suggested that the impact of CEOs in the director selection process influences the efficacy of board decisions. It also emphasized that regular board meetings would enable the exchange of information among directors and that a sufficient board size would allow for a more equitable division of workload and committee assignments, resulting in more effective board decisions.	185
<a href="#">Laux and Laux (2009)</a>	Directors adapt their oversight efforts in reaction to a change in CEO incentives, indicating that an increase in CEO equity incentives does not necessarily enhance earnings management. Suppose the board's duties for determining CEO remuneration and monitoring are divided via the establishment of committees. In that case, the compensation committee will raise the usage of stock-based CEO compensation, while the audit committee will bear the higher expense of supervision. This study's model predicts relationships between earnings management, the quality of board monitoring, the pay-performance sensitivity of CEO remuneration, and board committee structure.	144
<a href="#">Fahlenbrach (2009)</a>	Previous allegations that entrenched managers create their own remuneration arrangements are inconsistent with the outcomes of a wide cross-section of large U.S. public companies. Governance substitution could explain the links between corporate governance structures, total pay-for-performance, and excess compensation. If a company has inadequate governance in general, the compensation contract helps align the interests of shareholders and the CEO.	115
<a href="#">Kumar and Sivaramakrishnan (2008)</a>	This study found that when board members grow less reliant on the CEO, their monitoring efficiency may drop, even while the incentive efficiency of executive compensation contracts increases. Consequently, a board consisting of more independent directors may perform poorly. Moreover, larger equity incentives for the board may raise equity-based compensation awards to management.	114

The study conducted by [Ryan and Wiggins \(2004\)](#) ranked fourth with only 287 citations. Their study presents an empirical study of the relationship between director compensation and board independence using a bargaining framework. The evidence indicates that independent directors have a bargaining advantage over CEOs, leading to a compensation policy that can better reflect shareholders' interests. Also, directors are compensated with a higher equity-based payment when their boards have more outside directors. On the other hand, with an increase in the CEO's power over the board, the incentive to monitor becomes weaker. Thus, equity-based compensation is less common among companies with more inside directors and entrenched CEOs. Furthermore, firms with entrenched CEOs and CEOs' dual functions are less likely to replace cash payments with equity-based compensation. Only 250 citations were recorded in the study conducted by [Chhaochharia and Grinstein \(2009\)](#) and [Hallock \(1997\)](#). [Chhaochharia and Grinstein \(2009\)](#) explore how the board of directors contributes to setting CEO compensation and how the 2002 procedural requirements (i.e., the Sarbanes-Oxley Act) adopted by boards influence such decisions in the US. According to their findings, CEO compensation is significantly reduced at firms

that are more affected by these requirements than those that are not. Compensation for affected firms with no outside directors and those with low concentrations of institutional investors is especially lower than for firms without any external directors. On the other hand, [Hallock \(1997\)](#) examined the impact of reciprocally interlocking CEOs and other board composition features on CEO pay using a sample of the largest US companies. Their findings showed that CEOs leading interlocked firms earn more than CEOs of firms that are not interlocked. Finally, the studies conducted by [Laksmana \(2008\)](#), [Laux and Laux \(2009\)](#), [Fahlenbrach \(2009\)](#), and [Kumar and Sivaramakrishnan \(2008\)](#) lie at the bottom of the list with less than 200 citations each.

#### 4.5. The Use of Theories

The concept of a theoretical framework refers to a system of principles that can be used to explain the relationship between two or more constructs. [Figure 3](#) shows that the researchers have adopted a variety of theoretical perspectives to explain the boards' compensations. As a result of our research, we find that board compensation is generally explained without any explicit theoretical foundations (52 documents). Through an in-depth reading of those studies, we noticed that there was no reference to any theoretical concepts in those studies, including quantitative and qualitative studies. In second-order, the agency theory is the most commonly used theory to investigate board compensations (16 documents). Furthermore, 14 documents have examined board compensations by applying multiple theoretical frameworks. Four theories have been employed only once in the sampled literature.



**Figure 3.** The adoption of theories by previous research.

##### 4.5.1. Agency Theory

The agency theory is a central paradigm of directors' compensation ([Elnahass et al. 2022](#)). Using this theory, scholars have examined the relationship between compensation structure and a variety of variables, including firm performance ([Jensen and Murphy 1990](#)), corporate governance mechanisms ([Core et al. 1999](#)), ownership structure ([Barontini and Bozzi 2011](#)), Capital structure ([Al Amosh et al. 2022](#)), as well as the investment-related decisions ([Bizjak et al. 1993](#)). On the other hand, studies in other disciplines have examined the associations between executive pay and a wide range of factors, including earnings management ([Holthausen et al. 1995](#)), strategic interactions ([Aggarwal and Samwick 1999](#)), as well as industrial regulation ([Hubbard and Palia 1995](#)).

The agency perspective is entirely relied upon by agency theorists to explain: (1) how incentive-intensive compensation minimizes the divergence between shareholders and directors (Elnahass et al. 2022); and (2) how such divergence alignment can be delivered through risk-taking rewards and pay-performance sensitivity (Agyei-Boapeah et al. 2019). As a result of their compensation, directors may be encouraged to fulfill their legal responsibility to scrutinize and prevent top management from wasting capital and investments on dividend payments (Bebchuk and Fried 2003; Schöndube-Pirchegger and Schöndube 2010; Anderson and Bizjak 2003), and reducing the shirking of managers (Jensen and Meckling 1976). Furthermore, eliminating information asymmetry among directors, shareholders, and the market might increase a firm's worth by lowering investor uncertainty and boosting trust in the information offered by companies (Elnahass et al. 2022). In turn, this lowers the associated risk premium for the firm, lowering its cost of capital (Elnahass et al. 2022). According to our analysis of agency theory predictions, however, we have mixed evidence. For example, according to the corporate governance literature, the agency theory suggests that a strong corporate governance model is likely to limit management attempts to recoup large and potentially unjustified compensation payments. It has also been shown that block-holders are associated with a decrease in total compensation and an increase in equity incentives (Conyon and He 2004). For this reason, scholars often incorporate other theoretical frameworks into agency theory to explain board compensations.

#### 4.5.2. Multiple Theories-Based Studies

Scholars have made an effort to provide alternatives to agency theory to explain how and why board committees affect board compensation. For example, Elnahass et al. (2022) applied the agency theory in joint with the slack resources theory to investigate how firms can be valued according to their board compensations scheme. One of the main characteristics of strong governance is the active role of boards in monitoring and mitigating risks and enhancing long-term resilience. These attributes should be positively reflected in investors' valuations. Accordingly, the slack resource theory contends that higher market valuations firms are more likely to possess adequate resources that can be employed to further improve their governance mechanisms such as board compensations. In addition, the managerial power theory (rent capture), managerial talent theory, and tournament theory are all used in conjunction with the agency theory by Agyei-Boapeah et al. (2019) to capture the effect of the governance mechanism effect compensation payments of powerful corporate leaders during mergers and acquisitions. Likewise, both the agency theory and the managerial power theory were used by Hooy and Tee (2014) to explain how the board monitoring effectiveness can be affected by the CEO compensation. These theories are also adopted by Tian and Yang (2014) to investigate how U.S. CEO bankers are compensated through incentive payments.

As a result of the social forces at play in boardrooms, the managerial power (rent capture) theory posits that executive directors often have an edge in negotiating management agreements (Ghazali and Yahya 2017; Słomka-Gołębiowska and Urbanek 2016). Furthermore, according to managerial talent theory, executives earn high salaries because fewer people have the talent, skills, and knowledge needed to manage a large and complex organization. On the other hand, the tournament theory predicts that the "prize" won by the top leader in an organization will be higher pay than other managers or workers at lower levels.

The issue of whether board compensation is affected by the financial crisis has been tested by Kampkötter (2015) using a sample of German and Swiss banks. His study adopted the agency theory, the theory of career concerns, the human capital theory, and the tournament theory. According to career concerns theory, performance-related pay and tenure or age are positively correlated. Individuals with a shorter tenure at a company will likely generate a more surplus from positive appraisals of their abilities compared to others with longer tenure (Gibbons and Murphy 1992). Employers become more aware of an employee's true abilities as the length of their tenure increases, and career concerns usually

diminish. As a result, employees must be compensated more heavily with variable pay (Kampkötter 2015). As per the human capital theory, the accumulation of human capital through education, employment, and labor market experience is the primary determinant of base pay.

#### 4.5.3. Single Theory-Based Studies

Many studies have used a single theory, other than the agency theory, to explain board compensations. For example, Koch et al. (2018) used the earnings management theory to test the impact of incentive compensations on managers' tendency to manipulate earnings. This theory is built on the view that compensation contracts of senior managers include incentives designed to entice them to take actions to generate hidden value, such as managing earnings. On the other hand, based on pricing theory, risk-averse managers and risk-neutral shareholders are recognized as having the potential to have an agency conflict related to risk (Belkhir and Chazi 2010). A well-diversified portfolio of investors typically seeks out all positive net present value projects, regardless of the level of risk. Managers are more susceptible to firm-specific risk than managers if their wealth is concentrated within the firm (both human and financial capital). Because of this exposure, they may develop a risk-averse attitude and bypass many risk-increasing projects, regardless of their positive NPV. Using option pricing theory predictions, it has been suggested that appropriately compensating managers could mitigate this type of risk conflict that can arise between risk-averse managers and risk-neutral shareholders, and encourage them to take on more risky projects (Belkhir and Chazi 2010). The distribution of executive compensation in the commercial banking industry was examined by Walls (1999) using the executive talent theory. Further, their study assumes that highly talented executives are more likely to leverage their abilities and receive higher pay as a result. Based on the dynamic contract theory, Jiang et al. (2019) analyzed the risks associated with bank risk-taking using a sample of 14 listed Chinese commercial banks in light of the deferred compensation regulations of the China Banking Regulatory Commission. According to this theory, a manager's current compensation is influenced by delayed compensation from previous periods, which explains why compensation is positively related to past performance.

### 4.6. Thematical Analysis

#### 4.6.1. Compensation and Firm Performance

The link between CEO compensation and business success is one of the most often examined topics in the corporate governance literature (Jensen and Murphy 1990). The academic literature on agency theory and executive pay has supported linking CEO salary to business performance (Yahya and Ghazali 2015; Ghazali and Yahya 2017; Chou and Buchdadi 2018). Theoretically, the pay-performance relationship is developed from agency theory (Chou and Buchdadi 2018). Based on this theory, compensation contracts should be tailored to align the interests of managers with those of shareholders. A tighter link between executive compensation and performance leads to more productive managers being hired and retained. Because these criteria are difficult to monitor when selecting managers, providing performance-related compensation to senior executives might help mitigate adverse selection concerns.

The findings regarding the link between firm success and compensation have been inconsistent in prior literature. Liu and Sun (2022) discovered that the relationship between bank CEO remuneration and future firm performance is stronger for banks with a larger number of financial expertise among independent directors than for other banks. Similarly, Chen et al. (2017) showed that CEO remuneration is positively correlated with both merger and internal growth not attributable to mergers, with the former being stronger. While CEO pay-risk sensitivity is unrelated to merger growth, CEO pay-performance sensitivity is strongly and adversely associated with merger growth. In contrast, Ghazali and Yahya (2017) concluded that CEO compensation negatively influ-



ences operational performance, which may be attributed to strong managerial control, cronyism, rent extraction, or poor corporate governance. However, the analysis found a largely positive influence of CEO remuneration on market performance, although only this factor can be relied on as a good predictor of market success owing to the model's lower effect size. Others found executive compensation to be more related to bank performance in the context of high managerial discretion than in the context of low manpower (Magnan and St-onge 1997). However, several studies indicate that there is no direct relationship between company performance and executive compensation, which means that there is no correlation between an increase in CEO compensation and an increase in firm performance (Cooper 2009). All of these contradictory findings imply that this topic should be researched further to decrease uncertainty. Furthermore, a number of additional components must be incorporated to examine this problem from a broad perspective.

#### 4.6.2. Determinants of Board Compensation

Given the importance of the topic of board compensation, many studies have focused on the main factors that decisively affect board compensation, also known as board compensation. According to Gavett (2014), the compensation gap between CEOs and typical employees is excessive. However, the reason why discrepancies differ from nation to nation is rather complex (Yahya and Ghazali 2015). By analyzing 54 countries, Greckhamer (2016) found that pay disparity and income equality are influenced by a variety of factors, including the level of development, the development of equity markets, the development of the banking system, its dependence on foreign capital, collective rights empowering labor, the strength of a country's welfare institutions, employment market forces, and social order and authority relations.

Agency theorists state that a portion of the CEO's remuneration should be related to the company or individual performance (Bender 2004). The CEOs' pay could not be restricted to a minimum level since they are the company's most influential personalities and may create or destroy value and the company's image (Ueng et al. 2000). If CEO compensation and incentives were raised, they could be more motivated to perform well. Therefore, the alignment of CEOs' interests with those of shareholders is seen as an effective means of mitigating agency conflicts.

Despite the importance of this topic, research has shown contradictory and complicated findings across sectors and nations owing to the complexity of business operations, development potential, different market needs, heterogeneity of the organization, and CEO workplace diversity. Therefore, both practical and intellectual concerns centered on the CEO's remuneration level and his capacity to thrive in this diversified and dynamic environment. Throughout history, scholars have analyzed a variety of variables that potentially impact CEO salary, including CEO tenure, CEO power, market risk, profitability, company size, CEO ownership, growth prospects, firm performance, and board structure. Likewise, CEO remuneration is influenced by operational performance, market performance, company size, growth potential, and market share (Yahya and Ghazali 2015). Studies under this theme have mainly focused on financial intuitions. Therefore, it is recommended that future studies should include other sectors, such as the manufacturing sector, with the inclusion of other factors. Furthermore, other moderating factors should be investigated in this context as well. For example, the moderating effect of CSR and related policies can be investigated as a determinant of compensation (Dimitropoulos 2022; Flammer et al. 2019; Cai et al. 2011). Additionally, the impact of environmental performance can be investigated (Berrone and Gomez-Mejia 2009).

#### 4.6.3. Risk and Compensation

Whether the global financial crisis was caused by excessive risk-taking or by rising levels of risk faced by businesses, both perspectives identify risk as the key driver and emphasize the importance of a strong corporate governance structure for risk management (Tao and Hutchinson 2013). The heated discussion on management remuneration in

banking is evidently spurred by theoretical projections indicating that risk-taking incentives from variable pay packages are anticipated to be substantially higher at banks than at non-financial enterprises (Mehran et al. 2011). This made the theme of risk-taking one of the commonly discussed topics regarding board compensation as it can be linked to many other aspects, such as firm performance (Ghazali and Yahya 2017) and stability (Bai and Elyasiani 2013).

According to Houston and James (1995), bank CEO pay practices encourage risk-taking since the cash-to-equity compensation ratio in banking and financial services outnumbers cash compensation in other businesses. As bank risk rises, as measured by a rising share of non-interest revenue streams, so does the amount of equity-based CEO remuneration (Brewer et al. 2004). However, Fahlenbrach and Stulz (2011) found no considerable evidence of agency difficulties related to bank CEO remuneration during the financial crisis. Gorton (2009) describes the difficulties in regulating compensation in a banking sector increasingly controlled by shadow banking and under pressure from a strongly competitive labor market. Levine (2004) pushes for enhanced openness in order to relieve regulators and enable market discipline to penalize excessive risk-taking.

#### 4.6.4. Earning Management and Compensation

Concerns about fraudulent activities and accounting scandals have prompted a significant amount of debate on CEO compensation and earnings management in the banking industry in the wake of the global financial crisis. Recent empirical research highlights the need for regulatory reform of CEO compensation arrangements (Uygun 2013). This focus is because executive pay plans are seen as a crucial instrument for aligning management motivations with shareholders and avoiding fraudulent activities. A manager's risk aversion causes them to avoid risks since their income is dependent on company value, and their risk aversion contradicts the shareholders' best interests. According to Smith and Stulz (1985), shareholders may influence management's risk aversion via the design of remuneration contracts. Given that a manager's utility function is concave with predicted wealth, shareholders may arrange remuneration to mitigate risk aversion. Likewise, prior research demonstrates that when earnings fall below the lower limit defined by the pay plan, CEOs opt to boost their income in an attempt to improve the value of their shareholdings (Gaver et al. 1995). Consequently, managers are incentivized to alter reported profitability for their benefit (Mansour et al. 2022a, 2022b).

#### 4.6.5. Merge Banks and Compensation

As the word implies, a merger of banks occurs when two banks combine to establish a bigger organization. Mergers provide an ideal environment for the study of CEO remuneration since they are often accompanied by substantial changes in business valuation, performance, and risk. It is important to note that CEO remuneration is assessed based on a variety of parameters, including asset growth, market value, and accounting profitability.

Mergers and acquisitions (M&As) are large, externally visible, and discretionary long-term investments that allow managers' incentives to deviate from shareholder interests. These possible agency issues may also be deduced from the correlations between asset expansion through mergers and acquisitions and CEO remuneration. (Baker et al. 1988) argues that managers may expand their enterprises above the optimum size, which results in more managerial authority and compensation. According to (Seo et al. 2015), significantly underpaid CEOs engage in mergers and acquisitions to improve their compensation to the level of their peers. Bliss and Rosen (2001) demonstrate a favorable impact of mergers and acquisitions on later executive compensation. Additionally, Chen et al. (2017) examined the influence of bank mergers on the salary of chief executive officers (CEOs). Both merger growth and non-merger internal growth are positively connected with CEO pay, with the former association being the stronger. Although CEO compensation–risk sensitivity is unrelated to merger expansion, CEO pay–performance sensitivity is strongly and adversely associated with merger growth.

#### 4.6.6. Financial Crisis and Board Compensation

Board compensation is generally viewed as a function of a company's or an industry's success, which implies that compensation cuts tend to be observed especially in capital-market-based functions and at higher levels of the hierarchy during economic downturns such as the financial crisis. [Kampkötter \(2015\)](#) research examines how compensation systems are adjusted in the wake of the financial crisis. The results from this analysis indicate that the crisis had a profound impact on the payment of short-term bonuses. In addition, higher fixed salaries may result from restrictions on bonuses, reducing pay sensitivity to performance. Furthermore, bonuses are more strongly related to individual differences than fixed compensation packages between banks. In German companies, bonuses vary more widely, while in Swiss banks, when firm controls are taken into account, differences are almost negligible. According to [Elleuch Hamza and Lourimi \(2014\)](#), executive compensation is associated with bankruptcy during times of crisis. Two years before the financial crisis, they found that CEO compensation was negatively correlated with company bankruptcy. A study by [Handorf \(2015\)](#) examines compensation practices for regional US banks before and after the crisis. In this study, we find that management at more risky banks appeared to have received more generous rewards before and during the financial crisis. Afterward, banks modified compensation plans by offering CEOs higher compensation if their institutions were highly capitalized and had low-risk loan portfolios.

### 5. Future Research Agenda

Scholars continue to pay considerable attention to the issue of board member compensation due to the growing legal requirements and the increasingly complex environment in which firms operate today ([Kolev et al. 2019](#)). A large number of studies have questioned what factors are likely to impact board compensation. Our understanding of board compensation has greatly improved as a result of the existing literature. In the meantime, however, there is still much to be done. As a result, we have identified several research opportunities for future study.

The level of board compensation is determined based on a group of firm-level characteristics such as the firm's performance ([Barontini and Bozzi 2011](#)), financial leverage ([Nguyen 2014](#)), and size ([Adams and Ferreira 2009](#)). Also, board compensation is found to be determined by corporate governance mechanisms such as the size of the board ([Andreas et al. 2012](#)), board independence ([Nguyen 2014](#)), activity ([Boyd 1996](#)), as well as ownership structure variables such as ownership concentration, managerial ownership, family ownership and institutional ownership ([Schmid 1997](#); [Oxelheim and Clarkson 2015](#); [Nguyen 2014](#); [Barontini and Bozzi 2011](#)). However, there is a dearth of literature discussing the impact of contextual factors on the level of board compensation. There are many external contextual factors that may influence board compensation, such as the country of origin, explicit events, media exposure, work structure, regulation systems, stakeholder participation, and socio-economical context.

Moreover, the sample literature also shows a lack of diversity in research design. Most studies have used archived data and were quantitative in nature. Qualitative research would be remarkably beneficial to better understand the compensation of board members, as this method has not been adequately incorporated into previous research. In particular, a very limited number of studies have used questionnaires and interview tools approach. Moreover, board members' pay should be discussed analytically, especially in controversial areas such as the link between board compensation and earnings management and risk-taking behavior, where only four studies have been conducted ([Holthausen et al. 1995](#); [Laux and Laux 2009](#); [Belkhir and Chazi 2010](#); [Jiang et al. 2019](#)). Unexpectedly, only a single study has examined the role of executive pay in promoting competition in the banking sector, which demands further research. Certainly, carrying out face-to-face interviewees could be more beneficial to understanding how the level of competition can be affected by the level of board compensation.

In addition, there has been an increase in the number of publications addressing board compensation in the last few years, indicating that the topic is worth investigating. However, as it relates to geographical distribution, the review revealed that the US is the most studied context concerning the issue of board compensation. Additional research is needed to explore board compensation in both developed and developing countries, particularly in countries that have received less attention in the literature because some markets have seldom been subject to such an investigation. A comprehensive study could also be instructive in developing countries where, generally speaking, shareholder protection laws are not strong and corporate governance is less effective. Our intellectual understanding of institutional and legal environment influences on board compensation could also be enhanced by a comparative study using data from different legal jurisdictions.

Based on our review of the literature, the development of a theoretical framework is also an area with little prior research. Theory-based studies may provide results and insights that contribute greatly to the development of an understanding of the subject. Rather than reverting to conventional theories that explain board compensation, future research is greatly encouraged to consider the application of new theoretical grounds for a deeper exploration of compensation levels. Also, studies can be expanded to examine the impact of the COVID-19 global pandemic on board compensation in light of current circumstances and the environmental changes that occurred during the COVID-19 crisis.

Lastly, a very limited number of empirical studies have been conducted on the financial sector. Most existing literature has focused mostly on non-financial firms. Nevertheless, board compensation levels can vary depending on a particular industry's unique characteristics. Yet, there is a lack of research on single industries, which exposes the need for more work in specific sectors. There is also ample evidence in the literature that small-medium enterprises (SMEs) have distinctive characteristics from publicly listed companies. The compensation for board members of SMEs has never been studied. This knowledge gap deserves further attention.

## 6. Conclusions

The problem of board compensation has directed the compass of several studies throughout the world since compensation is believed to have multiple facets and an impact on the stances and trends of boards of directors. Moreover, remuneration is seen as one of the good governance attributes and is charged as a cost to shareholders. Nonetheless, empirical and review research on board compensation in the financial sector is scarce. Using a final sample of 87 papers, this research performed a systematic literature review to present a complete understanding of the current research on board compensation. The research indicates that the number of studies that have considered board compensation has increased in recent years.

Overall, we discovered that certain countries, particularly those classified as developing nations, have received inadequate attention from scholars. Also, certain nations, such as the United States, get considerable attention. The discussion around board pay is limited in private institutions, small- and medium-sized firms (SMEs), and non-profit organizations. On the other hand, publicly traded corporations in all industries were adequately insured. Our findings also indicate that agency theory has grown in popularity and has sometimes been combined with another theory. The results may aid in enhancing stakeholders' awareness, such as regulators, practitioners, and prospective investors, about board compensation, the risk associated with unregulated executive compensation, and its impact on business performance and stability. This study contributes to the current literature on board compensation by providing a detailed evaluation of the available literature. It highlights the themes that have been investigated under this subject, thereby assisting future studies in finding possible research areas.

This study has several important implications for corporate governance practices. To the best of the authors' knowledge, this is the first comprehensive evaluation of the literature covering board compensation in financial institutions. We develop a compre-

hensive research agenda that focuses on important topics that merit further attention, such as determinants and outcomes of board compensation, to promote the continued development of this research stream and enhance its contributions to the larger compensation literature. This study offers an overview of existing scholarly research, and research themes of greater and lesser popularity in the board compensation domain along with the research gaps in each. Thus, a wide range of stakeholders will be benefited from this study, including regulators, auditors, managers, and academics, since it sheds light on the issue of board compensation in the financial industry, which remains a major concern among various stakeholders, despite ongoing policy efforts. This review also encourages decision-makers and shareholders to think about implementing better policies to enhance compensation practices, specifically by fostering transparency and effective compensation policy, protecting minority shareholders, and enhancing compliance with existing and new regulations.

Similar to previous research, this investigation has limitations. We used a variety of keywords to find the sample literature in the Scopus database since it is the most comprehensive source for abstract indexing of peer-reviewed publications. However, future studies might take into account additional databases such as ABS and the Web of Science. In addition, the search strategy utilized in this research was limited; hence, the search string results used in this work may not include all relevant documents. Consequently, comparable studies conducted in the future might include other keywords. Finally, this research was restricted to papers published in the English language. Future research may consider a wider range of languages.

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