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Effect of Human Resource Cost on Performance of Quoted Financial Firms in Nigeria

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Abstract

Research Purpose: In the evolving financial sector, understanding the impact of human resource costs on firm performance is crucial. This study investigates how employee training, wages, and retirement benefits influence the profitability of quoted financial firms in Nigeria.

Methodology: Adopting an ex-post facto research design, the study utilised Ordinary Least Square regression to analyse data from 2012 to 2021.

Findings: The analysis revealed that employee training and development costs, wages and salaries, and retirement benefits costs have no significant effect on annual profits of quoted financial firms in Nigeria.

Conclusion: Human resources are essential for improved financial performance, although the costs of training, wages, and retirement benefits did not significantly impact profits in this study.

Recommendations: Banks should capitalise and report investments in human resources to enhance employee quality and productivity, thereby positively affecting profitability and share price value.

Key words: *Human resource cost, Financial performance, Employee training, Employee wages, Retirement benefits.*

1.0 INTRODUCTION

Today, it is hard to refute the significance of human capital in any establishment as individuals represent the crucial assets that make a fruitful organisation (Ming, 2012). Regardless of the coming in of information technology which has transformed the whole nations of the world to become a global village, human intellect remains the brain behind its success. There are no technological or service based developments no matter how sound it may be, that has not and will not be powered by human intellect which is the ability, knowledge and skill of such an individual. For organisations to seek new ways of developing and maintaining competitive advantage in the present dynamic environment, it is important that firms truly leverage their workforce as a competitive weapon. To leverage on the workforce means an improvement largely on the procurement of the right people with high levels of intellectual competence, hence the need for expenditure on human capital. All employees' contribution to the growth and value of the firm is referred to as human capital. Human capital is regarded as an aspect of intellectual capital which is considered an intangible asset. The present corporate performance measurement system is heavily inclined towards financial and physical aspects of the company and thus lacks relevant information regarding the performance of the intangible assets or intellectual capital efficiency (Onyekwelu and Akani, 2021).

However, over the past decades, businesses have recognized the importance of managing their intangible assets and have considered brand development, stakeholder relations, reputation and organisational culture as the most important resources of sustainable business advantage (Iliemena, Goodluck & Amahalu, 2019). These ideas and processes add value to the organisation and thus improve their financial performance. Basically, the concept of human capital expenditure arose from the transformation of individual competence into highly productive human capital with the effective input of education, health and moral value. Human capital is the mixture of human and capital. In the economic perspective, the capital refers to factors of production used to create goods and services that are not themselves significantly consumed in the production process. Along with the meaning of capital in the economic perspective, Bankole (2021) stressed that the human is the subject to take charge of all economic activities such as production and consumption. Human capital is the backbone of success in every organisation. Mahroum (2007) suggested that human capital management is about three key capacities; the capacity to develop talent, the capacity to deploy talent, and the capacity to continuously attract talent from elsewhere. Collectively, these three capacities form the backbone of any company's human capital competitiveness. Therefore, it can be inferred that human capital is a means of the production elements that can generate added value through inputting it, they include, training and development, wages and salaries, retirement benefits, director's remuneration, auditor's remuneration, etc. In today's dynamic business environment, firms invest heavily in human capital assets. The problem however, is that these investments are either immediately expensed in the financial statement or capriciously amortised and therefore are not fully reflected in the balance sheet. Consequently, the book values of firms with significant amounts of human capital investments are unrelated to the market values (Adebajo; Enyi & Olutokumbo, 2015), which by implication means that the firm is undervalued.

Besides, most organisations increase the staff salaries and wages in order to motivate them and to ensure they put in their best for the achievement of the organisational goals. These efforts are expected to affect their profitability if the cost incurred will not be a waste. Knowledge has, indeed, become power and organisations in our ever changing world consider knowledge and intellect of their employees as a competitive edge to compete effectively in the marketplace (Kharal, Zai-ur-Rehman, Abrar & Khan 2014). Therefore, money spent on employees' training and development is generally viewed as one of the critical investments that companies could make, and that such investments should be treated as a capital expenditure. Stressing on the importance of disclosing information on intellectual capital in financial statements, Ghasempour & Yusuf (2014) in their study of 65 Malaysian companies listed on Tehran Stock Exchange from 2005 to 2012, reported that assets, intellectual capital and human resources have created great competitive advantage and that the disclosure of such information had significant and positive impact on firm value with a one-year lapse. Empirically, Ezejiofor, John-Akamelu & Iyidiobi (2017) found that staff salary and staff retirement benefits have a positive effect on organisational profitability. Ekundayo & Odhigu (2016) found that welfare and training cost and size of employees impact positively on the efficiency and profitability of the firm. Also, (Omodero, Alpheaus & Ihendinihu, 2016) found that benefit costs have positive and significant effect on Profitability. Edom, Inah, & Adanma (2015) study revealed that there is a positive relationship between the indicators of human resource cost (training cost, development cost and number of staff) and the profit of the organisation.

On the contrary, (Omodero, Alpheaus & Ihendinihu, 2016) found that personnel benefit costs have no significant effect on firm turnover. Edom, Inah, & Adanma (2015) found that the number of staff does not have a significant effect on profit of the bank. The empirical evidence reveals conflicting findings and the time frames considered in these studies were short resulting in a knowledge gap in literature. This warrants a more systematic and comprehensive study. Against this backdrop, this study is designed to examine the effect of human resource cost on performance of quoted firms in the financial sector in Nigeria.

Statement of the Problem

Human capital is the mainstay of achievement in every organisation. Mahroum (2007) suggested that human capital management is about three key capacities; the capacity to develop talent, the capacity to deploy talent, and the capacity to continuously attract talent from elsewhere. Collectively, these three capacities form the backbone of any company's human capital competitiveness.

Lack of human capital development makes it difficult for financial institutions to deliver the quality of products that more discerning customers require. Many organisations understand human capital development as an additional cost as well as liability to their operations, hence, do not appropriately train and develop them. Where it is possible for some organisations, the training and development is not matched with the training needs of the workers. These organisations concentrate more on resources such as materials, machines and money. Their effort is more on how to improve productivity with little or no consideration of the human capital. Besides, if a bank fails to carry out employee training and development, improve on employee retirement benefits, directors' remuneration, auditors' remuneration or increase the staff salaries and wages, it may experience demotivated employees who may put in their best for the achievement of the organisational goals. These efforts are expected to affect their profitability if the cost incurred will not be a waste.

Most bank employees find it difficult to get release for further studies, also employees are not given the freedom to learn effectively doing on- the -job training, staff who are in charge of training the new employee on the job, might begin to feel threatened by the presence of this employee, that they now begin to hide their knowledge on the job. Even where banks commit enormous financial resources to staff training and development, staff health care and other welfare programmes, one could not tell whether its impact on organisational performance is significantly worthwhile. Under the present accounting practice, non-human expenditures on items like equipment and plants are treated as non-current assets while the huge investments made in acquiring and developing human resources are treated as an expense and charged against the current period's resources. The present accounting treatment for human resource costs tends to reduce the profit available for distribution to shareholders and thus poses implications on both the profitability and liquidity of an entity. The obvious limitations of capitalising human resource costs and reporting the value as an asset in a statement of financial position need to be properly investigated. It is against this backdrop that the study examined the effect of human resource cost on performance of quoted financial firms in Nigeria.

Objectives of the Study

The broad objective of the research was to examine the effect of human resource cost on performance of quoted financial firms in Nigeria. The specific objectives were to:

i. Ascertain the effect of employee training and development cost on profit for the year of quoted financial firms in Nigeria.

ii. Evaluate the effect of employee wages and salaries cost on profit for the year of quoted financial firms in Nigeria.

iii. Determine the effect of employee retirement benefits cost on profit for the year of quoted financial firms in Nigeria.

Research Questions

The study was guided by the following research questions.

i. What effect does employee training and development cost have on profit for the year of quoted financial firms in Nigeria?

ii. What effect does employee wages and salaries cost have on profit for the year of quoted financial firms in Nigeria?

iii. What is the effect of employee retirement benefits cost on profit for the year of quoted financial firms in Nigeria?

Statement of Hypotheses

The following null hypothesis was formulated to guide the study.

i. Employee training and development costs have no significant effect on profit for the year of quoted financial firms in Nigeria.

ii. Employee wages and salaries have no significant effect on profit for the year of quoted financial firms in Nigeria.

iii. Employee retirement benefits cost have no significant effect on profit for the year of quoted Financial firms in Nigeria.

Scope of the Study

The research work focused on the effect of human resource cost on performance of quoted financial firms in Nigeria. It covered human resource indicators such as Employee training and development cost, wages and salaries cost, retirement benefit in Financial firms in Nigeria especially United bank for Africa Plc, First Bank of Nigeria, Zenith Bank of Nigeria Plc, Access Bank and GTB Plc. The period the study covered is between 2012 and 2021. The choice of the period was because of the economic recession that the country experienced which affected the banking industry and the effect of COVID-19 pandemic which resulted in another economic crisis. The reason for choosing these institutions is because they have been in existence for a good number of years and have high staff strength. These target institutions are assumed to be relevant, these banks boast of strong corporate values which can satisfy the objectives of the study providing necessary data for the study.

2.0 REVIEW OF RELATED LITERATURE

Human Resource Cost

The concept of human capital is categorised from different perspectives in the academic fields. The first aspect is from the individual point of view. Schultz (1961) recognized the human capital as 'something akin to property' against the concept of labour force in the classical perspective. It can be deduced from his view that human capital is knowledge, skill, attitude and ability acquired through training and embedded in an individual. Baker (2012) conceptualised human capital as the loop that linked together the knowledge, abilities, skills, experiences and creation owned by the members of the organisation.

Frank and Bemanke (2007) defines human capital to be 'an amalgam of factors such as education, experience, training, intelligence, energy, work habits, trustworthiness, and initiative that affect the value of a worker's marginal product'. From these perspectives, one can conclude that economic benefit can be generated through making use of the stock of skills, knowledge and abilities embedded in an individual to perform. Also, Rodriguez and Loomis (2007) define human capital as 'the knowledge, skills, competences and attributes in individuals that facilitates the creation of personal, social and economic wellbeing.

Human Capital is the collective skills, knowledge, and intangible assets of individuals that can be used to create economic value. Human capital according to Schultz (1993) is a tool for enhancing competitive advantage since it involves the process of training, knowledge acquisition (education), initiatives and others which are all geared towards skill acquisition.

Schmidt (2004) defines human capital as a form of intangible asset that creates future economic value which includes the competencies of frontline employees and organisational capabilities.

The theory of human capital brings about expenditure on human capital. Expenditures on human capital such as; education, training and development are not just ordinary costs in the course of running an organisation, but an investment from which valuable returns that can be calculated are expected. It is an important agent for boosting organisations profitability. This study capitalised on this theory by emphasising that expenditure on human capital becomes an integral (that is, essential) part of the profitability of quoted manufacturing companies.

Training and development (T&D) Cost

Hiring new employees is a beautiful thing. Employees can simplify operations and bring in more money for business owners. Before employees can be all-stars at a business, employers need to train them. After spending time and money searching for top talent, an organisation might not want to hear that the work isn't over. But, training new employees is a necessary part of onboarding. Organisations must pour time and money into making sure a new hire understands their job responsibilities. Improper training can lead to sloppy work or eventual employee turnover, which means repeating the whole process.

Igbaekemen (2014) affirms that training is a process or strategy of upgrading and expanding the abilities, talent and knowledge of workers. As such, a fruitful training programme must add to the development and improvement of workers at all levels. Training influences employee development such that the workers' state of mind is improved with a view to eliciting their commitment to duties and organisational effectiveness.

Wages and Salaries Cost

Wages and salaries are the remuneration paid or payable to employees for work performed on behalf of an employer or services provided. Normally, an employer is not permitted to withhold the wages or any part thereof, except as permitted or required by law. Employers are required by law to deduct from wages, commonly termed "withhold", income taxes, social contributions and for other purposes, which are then paid directly to tax authorities, social security authority on behalf of the employee.

Wages and salaries are typically paid directly to an employee in the form of cash or in a cash equivalent, such as by cheque or by direct deposit into the employee's bank account or an account directed by the employee. Alternatively, all or a part may be paid in various other ways, such as payment in kind in the form of goods or services provided to the employee, such as food and board (Wise Geek, 2013). Wages and salaries in cash consist of such amounts payable at regular intervals, such as weekly, monthly or other intervals, including payments by results and piecework payments; plus, allowances, such as those for working overtime; plus amounts paid to employees away from work for short periods (e.g., on holiday, sick leave, etc.); plus ad hoc bonuses and similar payments; plus commissions, gratuities and tips received by employees (Abdul, 2014).

Retirement Benefit Cost

The term retirement benefit has been defined as the amount set aside either by an employer or an employee or both to ensure that at retirement, there is something for employees to fall back on as income, (Fapohunda, 2013). This means that retirement benefit or pension is a sum of money that is set aside by either the employees, employers or both for the retirement purpose of the employees. Retirement benefits are designed to enable workers to get a regular source of income when they retire from active service. It is a form of arrangement that hopes that at retirement, retirees will not be stranded financially.

Profit for the Year

Earnings refer to the amount of profit that a company produces during a specific period, which is usually defined as a quarter (three calendar months) or a year. Earnings typically refer to after-tax net income.

Pretax earnings are a company's income after all operating expenses, including interest and depreciation, have been deducted from total sales or revenues, but before income taxes have been subtracted. Because pretax earnings exclude taxes, this measure enables the intrinsic profitability of companies to be compared across industries or geographic regions where corporate taxes differ. Ultimately, a business's earnings are the main determinant of its share price, because earnings and the circumstances relating to them can indicate whether the business will be profitable and successful in the long run (Investopedia, 2011). Pre-tax earnings therefore refer to the amount of profit before tax. In this study, changes in profit produced by a firm prior to taxation charges in a year was considered in determination of financial performance, as actual earnings might be distorted with varied degree of tax imposition (Spikoks, 2009).

Theoretical Framework

There are various theories that relate to human capital and organisational performance. They are:

Human Capital Theory

The theory was propounded by (Becker, 1964). A Dictionary of Sociology refers to Human-capital theory as a modern extension of Adam Smith's explanation of wage differentials by the so-called net (dis)advantages between different employments. The costs of learning the job are very important components of net advantage and have led to claim that, other things being equal, personal incomes vary according to the amount of investment in human capital; that is, the education and training undertaken by individuals or groups of workers. A further expectation is that widespread investment in human capital creates in the labour force the skill-base indispensable for economic growth. According to this theory, a workforce that is more educated and possessing the relevant skills makes it easier for a firm to adopt and implement new technologies which in other words means return on investment in employee's education and training, (Izushi and Haggins, 2004). Human capital theorists believe that education is an investment since it enhances productivity.

The theory holds that the competence, knowledge, abilities and skills of an organisation's workforce contribute to its competitive advantage. According to Becker (1964) under the human capital theory, people constitute the organisation's human capital. Human capital just like every other asset owned by a firm has value in the market place given conditions of stable employment. However, unlike other assets, the potential value of human capital can only be fully realised with the cooperation of the person. Extending the argument, Becker (1964) posited that human capital in management literature refers to the productive capabilities of people. Skills, experience, and knowledge have economic value to organisation because they enable it to be productive and adaptable (Becker, 1964). Mathis and Jackson (2006) agreed with this view when they defined human capital as the collective value of the capabilities, knowledge, skills, life experiences, and motivation of the workforce in an organisation. Flamhotz and Lacey (1981) argued that all costs related to eliciting productive behaviour from employees in the form of incentives related to motivating, monitoring and retaining them constitute human capital investments made in anticipation of future output.

The human capital theory is based on the assumption that organisations would make decisions regarding the amount of investments that would be made on human capital based on the anticipated future benefits and or returns from such investment. Investments in human capital in this regard includes training and development costs. Flamholtz and Lacey, 1981 in Bassey and Tapang (2012) opined that investments in human capital includes all costs related to eliciting productive behaviours from employees, including those related to motivating, monitoring and retraining them. Organisations therefore commit their resources to training employees' specialised skills while at the same time; they make a comparison between their investments in the firm's human capital and the potential future returns and benefits accruing from such investments. Efforts are expected to be made to ensure that any of such acquired skills from training are retained in the investing company and not transferred to other companies. The theory is relevant to this study because it borders on human resource accounting.

Empirical Review

Employee training and development cost and profit for the year

Obulor and Ohaka, (2019) conducted a study on training cost and financial performance Nexus: Sector Analysis of Quoted Manufacturing Firms in Nigeria. Adopting *ex-post facto* design, with panel data spanning 2008 to 2017, the operationalized variables are training cost, return on equity, and earnings per share. Data analysis details and results are presented in terms of Correlation Coefficient (R), Coefficient of Determination (R^2), T-test, F-test, and Granger Causality. Following the outcome (1.660 critical t-value at 0.05 < 3.734 computed t-value), the first null hypothesis is rejected, in favour of the alternate hypothesis, which states that training cost has significant effect on return on equity. Also, regarding the second hypothesis, the adjusted R^2 of 0.594 implies that training cost explains 59.4% of the variations in earnings per share. These revelations affirm that human resource cost has a significant effect on the financial performance of quoted manufacturing firms in Nigeria.

In a study by Bankole (2021) the influence of human resource cost on financial performance of consumer goods companies in Nigeria is being investigated. The objective is to factor out the degree to which financial performance is influenced by investments in human resource, measured by Return on Asset (ROA) of Nigerian Consumer Goods Company. Secondary data were sourced from published annual financial statements of the selected consumer goods company trading on the floor of Stock Exchange in Nigeria, for the period of ten years (10) spanning 2009-2018. In the quest to attain the predetermined objective, data analysis was done using Static Panel Estimation techniques which consisted of Pooled Ordinary Least Square (POLS) Estimator, Fixed Effect Model (FEM), and Random Effect Model (REM). Post Estimation Test (Hausman and Lagrange Multiplier Tests (to compare Panel Effect Result and Panel Random Effect Estimator Result) was used to evaluate Static Panel Estimators. The test was carried out in order to evaluate the most consistent and efficient estimation result. The result of the study showed that predictors pension cost (PEC), director's emolument (DCM) and gratuity cost (GRT) exerts positive and statistically significant impact on ROA with coefficient value of 0.040940, 0.020521, 0.026541, and p-value of 0.0124, 0.0727, and 0.0379 respectively. Also, the predictor salary and wages (SLW) exerts positive but insignificant impact on ROA with coefficient value of .017615 (p = 0.2905). It is therefore concluded that investment in human resource significantly influenced financial performance and growth of Nigerian consumer goods company, Onyekwelu and Akani (2021) explored the Human Resource Costs and Financial Performance of Quoted Companies in Nigeria. Ordinary Least Square Multiple Regression, Auto Regressive Lag. Augmented Dickey-Fuller, Co-integration test, Granger Causality Test, Error Correction Model was used in analysing the data with the aid of E-view version 12. The empirical results indicate that human resource cost significantly relate to financial performance, explaining about 80.1% of the total variation in revenue, human resource accounting were found to significantly relate to financial performance. The study conclude that human resource cost relate positively and significantly to financial performance

Employee wages and salaries cost and profit for the year

Manukaji, Osisioma & Okoye (2019) examined the effect of human resources development on the performance of quoted companies in Nigeria. The study found that employee remuneration and training and development costs have a significant effect on performance of quoted companies in Nigeria. Size of employees was found to have an insignificant effect on performance of quoted companies in Nigeria. The study concludes that human resources development has a significant effect on performance of quoted companies in Nigeria. The study recommends systematic and continuous evaluation of the human resources to determine those that need development.

Ali and Chaudhry (2019) also examined the impact of human capital investment on organisation performance in the service sector of five major cities of Punjab and Pakistan using questionnaires administered to faculty members of universities and officer of banking se Human capital was measured by as knowledge, professional proficiency; experience and cognitive ability while organisation performance was measured using career satisfaction, life satisfaction and job satisfaction. Analysis of the result showed that human capital had a positive effect on all measures of performance.

Nangih, Obuah, Wali & Turakpe, (2020) Assessed the Interconnectedness Between Staff Costs and Firm Profitability: Evidence from Nigeria's Oil and Gas Industry. Data were collected from annual financial reports of the firms for the period, 2013-2018. Judgmental sampling technique was used to select a total of five (5) companies for the study and analysed using descriptive, correlation and regression analysis tools. The results of the test of hypotheses indicated that both salaries and training costs impact positively on profit margin whereas medical expenses had a negative effect on profitability; but only training cost was significant.

Ndum and Oranefo (2021) examined the effect of human resource cost on the financial performance of quoted brewery firms in Nigeria. The study adopted Ex-Post-Facto research design. The population of the study is made up of 5 breweries companies quoted on the floor of the Nigerian Stock Exchange (NSE) as at 2019 and have consistently submitted their annual reports to the NSE from 2007 to 2019. The data for this study were extracted from the published annual reports and accounts of these companies. The analysis revealed that staff cost has positive and significant effect on the net profit margin of quoted brewery firms in Nigeria, while staff cost has positive and insignificant effect on the return on assets of quoted brewery firms in Nigeria

Employee retirement benefits cost and profit for the year

Ofurum & Aliyu, (2018) Intellectual Capital Component and Financial Performance of Quoted Banks in Nigeria. The researchers also adopted and modified Pulic (1998) Value Added Intellectual Coefficient (VAIC) Model which provided measurement for intellectual capital indices (HCEI) in relation to financial performance. We employed OLS regression tool to analyse the data, the findings of this study revealed mixed results as some elements of Intellectual Capital were not significantly related to revenue growth and return on investment. It further depicted that the Human Capital Efficiency Index significantly related to return on investment.

Fiiwe, (2020) carried out an Analysis of Retirement Benefits in Nigeria: A Case Study of some Selected Federal Establishment. Data was presented in tables and analysed with percentage. The result of the study shows that the old welfare schemes are filled with many limitations which the new scheme has tried to cover. after retirement, creative and recreational facilities for retirees and housing schemes for retirees. The study also found that these packages lacking in both the old and new pension scheme will boost

Rahman and Akhter (2021) analysed the impact of employee training, education, knowledge, and skills on Janata Bank Limited's performance using primary data from 261 participants. The results revealed that with the exclusion of education, all dimensions of human capital investment were positively connected to bank performance. Structural equation modelling was utilised for the analysis.

Gap in Empirical Review

The empirical study reviewed indicated that several studies have been conducted globally with commendable attempts at providing different results on human capital development and performance of firms. None of the empirical studies examined the effect of human resource cost on performance of quoted financial firms in Nigeria. The present study however, tried to provide empirical evidence on the possible link between human resource cost and performance of firms in quoted money banks in Nigeria between 2012-2021.

3.0 METHODOLOGY

Research Design

This study adopted an ex-post *facto* research method to determine the cause-and-effect relationship by examining conditions and tracing back the information and available data for probable causal factors (Ofo, 2002). The adoption of this research design is based on the fact that the study relied on existing historic data obtained from relevant sources.

Area of the Study

The area of the study was focused on two ways (geographical and firms). This study in terms of geography covered Nigeria. The firm covered financial firms in Nigeria with emphasis on human capital cost.

Source of Data

This research made use of data from the financial statements of sampled deposit money banks in Nigeria. Financial statements of the quoted banks for the period 2012-2021, was accessed from the Nigerian Exchange Group fact book and banks' annual report of various years.

Population

The population of this study covered all the Deposit Money Banks in Nigeria. There are 22 banks operating within the country as at June, 2022, and their shares are actively traded on the floors of the Nigerian stock exchange.

Sample Size Determination

The study adopted a cluster sampling technique. It enabled the researcher to sample items of a population that meets up the data availability criteria. The researcher first clustered the banks that met up with complete data requirements from 2012-2021. The researcher chose the banks relying on their age (years of business operation) and financial performance. But for the purpose of convenience, purposive sampling technique was used to select a total of five banks (5) from the 22 banks in Nigeria.

Model Specification

The basic model estimated is stated thus as adopted from Gimba and Anyanwu, 2022.:

$$Pfy = \beta + \beta_1 TDC_1 + \beta_2 SWC_2 + \beta_3 RBC_3 + + Ű$$

Where;

Pfy = Profit for the year

TDC = Training and Development Cost

SWC = Wages and salaries cost

RBC = Retirement benefits costs.

β = Constant term (intercept)

μ = is the error term.

A-priori Expectation of the Result The explanatory variables are expected to have positive and direct effects on the dependent variables. That is, a unit increase in any of the variables is expected to increase pre-tax earnings of commercial banks. This can be expressed mathematically as a1, a2, a3,> 0.

Description of Variables

Dependent variable: Organisational performance (dependent variable). Organisational performance was measured as Profit for the year.

Changes in pre-tax earnings: Earnings refer to the amount of profit that a company produces during a specific period, which is usually defined as a quarter (three calendar months) or a year.

Independent Variables:

Training and Development Cost: Training and Development cost refers to the amount of money spent by banks in training their employees. Hiring new employees is a beautiful thing. Employees can simplify operations and bring in more money for business owners. Before employees can be all-stars at a business, employers need to train them.

Wages and salaries cost: This is the amount of money banks in Nigeria spend in the payment of their staff. Wages and salaries in cash consist of such amounts payable at regular intervals, such as weekly, monthly or other intervals.

Retirement Benefit Cost: The term retirement benefit has been defined as the amount set aside either by an employer or an employee or both to ensure that at retirement, there is something for employees to fall back on as income

Method of Data Analysis

This study adopted both descriptive and inferential statistical analysis. The statistical tool employed in the analysis is the Ordinary Least Squares (OLS) stated in the form of a multiple regression model. Regression analysis and correlation the statistical tools adopted. The regression analysis was applied to the regression models to measure, explain, and predict the linkage between the variables.

Decision Rule: Reject Ho if the p-value is less than 5% otherwise accept Ho.

4.1 Data Presentation

Table 4.1: Descriptive Statistics

	PFY	TD	WS	RBC
Mean	12093505	12839.73	66292.00	6339.550
Median	71144.00	6969.000	63673.00	2445.500
Maximum	94981086	50412.00	84035.00	72490.00
Minimum	8665.000	723.0000	38103.00	417.0000
Std. Dev.	26971469	14180.30	13025.37	11810.46
Skewness	2.071600	1.875843	-0.386144	4.600502
Kurtosis	5.898044	5.355426	2.297105	25.95085
Jarque-Bera	42.60795	32.70530	1.817485	1019.000
Probability	0.000000	0.000000	0.403031	0.000000
Sum	4.84E+08	513589.0	2651680.	253582.0
Sum Sq. Dev.	2.84E+16	7.84E+09	6.62E+09	5.44E+09
Observations	50	50	50	50

Source: Eviews output version 9

From Table 4.1 the mean (average), maximum values, minimum values, standard deviation and Jarque-Bera (JB) Statistics (normality test) were shown. The results expressed in Table 4.1 helps to provide some insight into the nature of the human resource cost used in this study. First, it can be observed that on the average, in a 10-year period (2012 -2021), the sampled deposit money banks used for this study were characterised by positive profit for the year = 12093505 This is an indication that most quoted banks in Nigeria have a positive Profit for the Year (PFY)). Similarly, the table also shows that on the average during the period under study that Training and development was 12839.73, the maximum value stood at 50412.00 while the minimum value stood at 723.0000, thus showing a large difference between the minimum and maximum values of the Training and development.

Table 4.2: Pearson Correlation Matrix Correlation Analysis Results

	PFY	TD	WS	RBC
PFY	1	0.01086097648666039	0.2591028857181852	-0.08677260065267848
TD	0.01086097648666039	1	-0.1386179792553715	0.2515143174532442
WS	0.2591028857181852	-0.1386179792553715	1	-0.4092071634189033
RBC	-0.08677260065267848	0.2515143174532442	-0.4092071634189033	1

Source: Eviews output version 9

The use of correlation matrix in most regression analysis is to check for multicollinearity and to explore the association between each explanatory variable (TD, WS, RBC) and the dependent variable Profit for the Year. Table 4.2 focused on the correlation between Profit for the Year measured as PFY and the independent variables (TD, WS, RBC). The finding from the correlation matrix table shows that most of our independent variables, (TD = 0.01086097648666039; WS = 0.2591028857181852, RBC = -0.08677260065267848, were observed to be negatively and weakly associated with Profit for the Year

4.2 Test of Hypotheses

Test of Hypothesis One

Ho: Employee training and development costs have no significant effect on profit for the year of quoted financial firms in Nigeria.

Hi: Employee training and development costs have a significant effect on profit for the year of quoted financial firms in Nigeria.

Table 4.3: Pooled Ordinary Least Square (OLS) Regression Result

Dependent Variable: PFY

Method: Panel Least Squares

Date: 04/17/23 Time: 10:30

Sample (adjusted): 2012 2021

Periods included: 11

Cross-sections included: 5

Total panel (unbalanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TD	**162.0538**	**437.4019**	**0.370492**	**0.7133**
WS	3.507358	1014.529	0.003457	0.9973
RBC	-60.33586	493.8677	-0.122170	0.9035
C	-8660745.	41596637	-0.208208	0.8363

R-squared	0.888118	Mean dependent var	12093505
Adjusted R-squared	-0.045983	S.D. dependent var	26971469
S.E. of regression	27584610	Akaike info criterion	37.24090
Sum squared resid	2.59E+16	Schwarz criterion	37.49423
Log likelihood	-738.8179	Hannan-Quinn criter.	37.33249
F-statistic	0.657103	Durbin-Watson stat	0.115873
Prob(F-statistic)	0.658233		

Source: Eviews output version 9

In table 4.3, R-squared and its adjusted R-squared values were (0.88118) and (-0.045983) respectively. This is an indication that all the independent variables jointly explain about 88% of the systematic variations in Profit for the year of our quoted banks over the ten-year period (2012-2021) while 12% of the systematic variations are captured by the error term. The F-statistics of 0.657103 and its P-value of (0.658233) portrays that fact that the PFY regression model is not well specified.

Employee training and development cost (T&D), based on the t-value of 0.370492 and P-value of 0.7133, in table 4.3 was found to have a positive influence on the quoted deposit money bank's (profit for the year) and this influence is not statistically significant at 10% level of significance as the P-value is within 10% significance level. This result, therefore, suggests that we should accept our null hypothesis one (H_{01}) which states that Employee training and development cost have no significant effect on profit for the year of quoted financial firms in Nigeria.

Test of Hypothesis Two

Ho: Employee wages and salaries have no significant effect on profit for the year of quoted financial firms in Nigeria.

Hi: Employee wages and salaries have a significant effect on profit for the year of quoted financial firms in Nigeria.

Wages and salaries cost (W&S), based on the t-value of 0.003457 and P-value of 0.9973, in table 4.3 was found to have a positive influence on the quoted deposit money bank's (profit for the year) and this influence is not statistically significant at 10% level of significance as the P-value is within 10% significance level. This result, therefore suggests that we should accept our null hypothesis one (H_{01}) which states that Employee wages and salaries cost have no significant effect on profit for the year of quoted financial firms in Nigeria.

Test of Hypothesis Three

Ho: Employee retirement benefits cost have no significant effect on profit for the year of quoted Financial firms in Nigeria

Hi: Employee retirement benefits cost have a significant effect on profit for the year of quoted Financial firms in Nigeria

Retirement benefits cost (RBC), based on the t-value of 0.122170 and P-value of 0.9035, in table 4.3 was found to have a positive influence on the quoted deposit money bank's (profit for the year) and this influence is not statistically significant at 10% level of significance as the P-value is within 10% significance level. This result, therefore, suggests that we should accept our null hypothesis one (H_{01}) which states that Employee retirement benefits cost have no significant effect on profit for the year of quoted financial firms in Nigeria.

Discussion of Findings

Employee Training and Development Cost and Profit for the Year

The result of the hypothesis revealed that Employee training and development costs have no significant effect on profit for the year of quoted financial firms in Nigeria. Evidence for the result is based on the regression result where t-value of 0.370492 and P-value of 0.7133. This finding did not agree with the result of Obulor and Ohaka, (2019) who found out that training cost has a significant effect on return on equity. Also, regarding the second hypothesis, the adjusted R^2 of 0.594 implies that training cost explains 59.4% of the variations in earnings per share. These revelations affirm that human resource cost has a significant effect on the financial performance of quoted manufacturing firms in Nigeria.

Employee Wages and Salaries cost and Profit for the Year

From hypothesis two, the result indicated that Employee wages and salaries cost have no significant effect on profit for the year of quoted financial firms in Nigeria. The regression result where the t-value of 0.003457 and P-value of 0.9973 affirm this effect. The result is supported by the results of Nangih, Obuah, Wali and Turakpe, (2020) who found that both salaries and training costs impact positively on profit margin whereas medical expenses had a negative effect on profitability; but only training cost was significant.

Employee Retirement Benefits Cost and Profit for the Year

Data for hypothesis three revealed that Employee retirement benefits cost have no significant effect on profit for the year of quoted financial firms in Nigeria. This is based on the t-value of 0.122170 and P-value of 0.9035, in table 4.3. This result is in agreement with the result of Fiiwe, (2020) who found that that the old welfare schemes is filled with many limitations which the new scheme have tried to cover; that the administrative process of the new pension scheme have given the pensioners hope and faith in the system; that both the old and new pension schemes could not be seen as containing enough benefit package for the retirees, since it does not cover health insurance, entrepreneurial roles of the retirees after retirement, creative and recreational facilities for retirees and housing scheme for retirees. The study also found that these packages lacking in both the old and new pension scheme will boost

Summary of Findings

The following were the findings of the study:

1. The finding revealed that Employee training and development costs have no significant effect on profit for the year of quoted financial firms in Nigeria.
2. Again, it was discovered that Employee wages and salaries cost have no significant effect on profit for the year of quoted financial firms in Nigeria.
3. That Employee retirement benefits cost have no significant effect on profit for the year of Financial Sectors in Nigeria.

Conclusion

The regression result indicates that Employee training and development cost, Employee wages and salaries cost, Employee retirement benefits cost, had a positive but not insignificant effect on profit for the year. Bearing in mind the importance of human capital development, and the role it plays in providing an organisation with the high quality of personnel necessary for effective and efficient services, we must conclude that the development of human capital, especially in the financial firms, is inevitable. Any nation that desires guaranteed economic vitality and self-sufficiency; high quality human development indices, social wellbeing and qualitative life for its citizens must place a high premium on human capital development.

Recommendations

Human capital expenditure is being incurred by various organisations to ensure that their profitability is enhanced for the sustainability and overall performance of their business. From the findings of the study, we recommend the followings;

1. Banks should imbibe the culture of capitalising and reporting investment on human resources that can improve the quality and productivity. This will impact positively and significantly on their profitability and consequently on their share price value.
2. It is important for management of quoted financial firms to invest judiciously in their knowledge assets so as to attain desired profitability. This will avail organisations to attain greater success and remain competitive to achieve their long term value creation and survival goals.
3. Financial firms should provide an enabling organisation structure for qualified, experienced and skilled human resources to fully utilise their potentials and thus increase human capital efficiency. This will enable the organisations to achieve

higher profitability, because the higher the human capital efficiency, the greater the profitability.

Contribution to Knowledge

The study contributed to a deeper understanding of the effect of human resource cost on performance of quoted financial firms in Nigeria. The study developed a model based on three frameworks: Training and development, Employee wages and salaries, Employee retirement benefits cost, (T&D+ S&W+RBC). This model established that human capital holds the key to organisational development. Equally, the study affirms the theory of human capital development as being appropriate in determining the effectiveness of employees' resource in achieving organisational objectives.

Suggestion for Further Research

Human capital is at present a very topical issue; there exist a lot of areas of human capital that should be studied. However, this study concentrated solely on human capital investment and performance of banks. The following areas are believed to be areas where further research can be undertaken;

i. This study talked briefly on measures and valuation of human Capital, a detailed research can be carried out on formulating a generally acceptable method of measuring or valuing human capital.

ii. Another area where further research can be undertaken is the area of reporting human capital investment. Areas to be looked into include reporting human capital as expense or asset in one hand or reporting human capital investment on historical cost, replacement cost, fair value or market value.

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