Effect of Human Resource Management on Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

One major of the issues arising from the reform that require attention is the human resources management in the newly consolidated and merger bank. The study is an assessment of the effect of human resource management on financial performance of listed deposit money banks in Nigeria. The expo-facto research design was adopted with reliance on secondary data from annual report of listed firms. The purposive sampling technique was employed in selecting the 12 out of 19 deposit money bank in Nigeria for 2011-2020 financial years. To carry out this objective, three method of panel regression estimation was used which is random effect by Hausman test which was analysed using E-views 10. The finding show that salaries and wages and employee development cost has positive significant effect on return of asset. The study concludes that that salaries and wages with employee development cost has a significantly positive effect on financial performance and does substantially improve the performance of listed deposit money banks in Nigeria. The study recommends that Management should not recruit more staff and should consider retaining only efficient staff, this implies that deposit money bank firms should downsize their number of staff and focus on training and re-training of the most efficient members of staff.

Keywords: Human Resource Management, Salaries and wages, employee development cost, Return on Asset

INTRODUCTION

Over the years, human capital has long been recognized as a vital asset and value creator to enterprises. In contemporary times, experts posits that core competence, knowledge creation and innovation are primarily responsible for creating value over and above physical and financial resources. To develop a competitive advantage especially for emerging businesses and start-ups, it is important that firms truly leverage on the workforce as a competitive weapon. This is vital and important for employment generation and foreconomy recovery in developing economies such as Nigeria. A strategy for improving work force productivity to drive higher value for the firms has become an important focus. Firms seek to optimize their workforce through comprehensive human capital development programs not only to achieve business goals but most important is for a long term survival and sustainability. To accomplish this undertaking, firms will need to invest resources to ensure that employees have the knowledge, skills, and competencies they need to work effectively in a rapidly changing and complex environment. Mayo (2006) posits that people are often spoken of as assets, but are generally treated as cost because there is no credible system of valuing them. Fajana (2002) asserts that current accounting procedures deal. The present business environment is changing rapidly due to phenomena such as globalization, rapid environmental change, changing customer and investor demands, and competition to provide innovative products and services. To compete successfully in the environment, firms need to constantly improve their competiveness by reducing costs, enhancing quality, and differentiating their products and services. The key to sustaining enviable competitiveness is the productivity of the workers. People are the most valuable resource of firms. Apart from the people, all the assets of an organization are passive resources which require human application to generate value (Fitz-enz, 2000). Thus, having the right human resources (personnel) at the right place and at the right time is of utmost importance to the survival and success of any firm.

Human resource management (HRM) is concerned with the management of human resources as a means of improving firm performance and creating competitive advantage. Wright and Snell (1991) defined HRM as “organizational systems designed to achieve sustainable competitive advantages through people”. It lays more emphasis on a proactive, integrative and value-driven approach to human resource management (Schuler, 1989). Truss and Gratton (1994) considered SHRM as the linkage of HR functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that fosters innovation and flexibility. Wright and McMahan (1999) described HRM as the pattern of planned HR deployments and activities intended to enable an organization to achieve its goals. The banking sector reform in Nigeria, especially the recapitalization policy initiative has definitely posed some problems and challenges to both the banking system and economy. One major of the issues arising from the reform that require attention is the human resources management in the newly consolidated and merger banks.The study therefore seek to examine effect of human resource management on financial performance of listed deposit money bank in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Human Resource Management (HRM)

Human resource (HR) is a term used to describe the individuals who comprise the workforce of an organisation, although it is also applied in labour economics to business sectors or even whole nations. Human resource is also the name of the function within an organisation charged with the overall responsibility for implementing strategies and policies relating to the management of individuals (i.e. the human resource). This function title is often abbreviated to the initials HR‘. Human resources is a relatively modern management term, coined as early as the 1960s when humanity took a shift as human rights came to a brighter light during the Vietnam era (Nadler, 1984). The origins of the function arose in organisations that introduced 'welfare management' practices and also in those that adopted the principles of 'scientific management'. From these terms emerged a largely administrative management activity, coordinating a range of worker related processes and becoming known, in time as the 'personnel function'. Human resources progressively became the more usual name for this function, in the first instance in the United States as well as multinational or international corporations, reflecting the adoption of a more quantitative as well as strategic approach to workforce management, demanded by corporate management to gain a competitive advantage, utilizing limited skilled and highly skilled workers. On the other side, accounting is viewed as a child of production (Akindehinde, 2015). Production can be either the creation of tangible goods or the provision of services to satisfy human wants. The major factors of production are the land, labour, capital and entrepreneur. While every organisation reports on and includes land, capital and entrepreneur in its financial statements, labour is not given much attention and hence, its expenditure only represents periodic cost made by the organisation. The labour or employees are the human assets or resources organisations have. HRM considers human resource as equivalent to other assets in the organization. They require investment over time to make them productive. Such investment relates to the hiring, training, and development costs, which are capitalized and amortized over an assumed probably productive life for the human resource, taking into account attrition and eventual deterioration (Akintoye, 2012; Okpalu &Chidi, 2010). The concept of HRM has been defined in so many ways but the basic feature of the system remains the same in every definition. The American Accounting Association (1973:23) defined HRM as the process of identifying, measuring and communicating information about human resource in order to facilitate effective management within an organizational. This definition considers HRA as the process involving recognition and the quantification of human resource for the purpose of assisting the effective management of an organisation. The definition is not specific as to what constitutes the human resource expenditures and how it is to be recognized.

Salaries and wages

Salaries and wages are remuneration paid or payable to employees for work performed on behalf of an employer or services provided. It is also a fixed amount of money paid to a worker usually measured at monthly and annual basis, not hourly. As opposed to wages, salary is a fixed amount of money or compensation paid to an employee by an employer in return of work done. A worker doesn't simply view his salary as a naira amount; he sees it as the value his employer places on him as a worker. It is the level of appreciation the employer feels can have a direct impact the worker's overall performance. A worker is more likely to perform better if he is happy with the salary he earns. A person earning a high salary feels motivated to do a good job, because he wants to please his employer to retain his position. Employee remuneration is one of the myriad of factors that can impinge on firms' performance (Ayodele, 2012). Often, investigations are hardly made to unravel how much the top executives that directs the affairs of a company should receive by way of remuneration and other forms of compensations and incentives. According to Adeyemi (1991), executive remuneration is the package which goes with labour services. Hence Adeoti and Isiaka (2006) argued that the objective of employee remuneration is to attract; motivate and retain good people for attainment of the organizational performance. Executive compensation which is interchangeably used with employee pay or remuneration comprises of salary and incentive pay. Incentive pay could consists of cash and non- cash packages; and is an aspect in finance and accounting that is yet to gain ascendancy in research especially in developing countries like Nigeria. Compensation normally takes the form of basic pay such as salary or non-financial rewards (Ayodele, 2012).

Since executives play strategic roles in directing the affairs of the company so as to engender performance, it is expected they are adequately remunerated, but this should be done with caution. It is generally known that the primary goal of a firm is wealth maximization; and if this is not taken into cognizance by the executive in companies, then the aim of establishing it would be defeated from the onset. Most often executives who perform optimally are on high demand. Hence, Fama (1980) posits that high performing managers are always on high demand and should be rewarded in the form of higher employee remuneration than their poor performing counterparts. It becomes crucial in the light of present day global challenges rocking the business world to empirically ascertain how executive compensation influences companies' performances in a country such as Nigeria. The rate of empirical studies on employee remuneration has increased astronomically in developed countries while the same cannot be said in less developed countries like Nigeria. It is not enough to claim that a company is inefficient, illiquid, highly geared, affected by arrays of macro- economic factors, poor corporate governance and is poorly performing. There is need through an eagle eye to thoroughly find out the proportion of firm's performance that is consumed by the amount of employee remuneration as an expense in a given period. There is no doubt that a relationship exists between business expenses and performance. For instance, an increase in business expenses reduces performance, given that all other factors are held constant; and vice versa. Obviously, businesses tend to analyze operation expenses in an effort to become more competitive, and employee remuneration is usually part of the analysis (Shetty, 2013). Therefore, as the global competition increases and businesses attempt to improve their performance, there is an increasing need to relate employee remuneration to organizational performance (Nicely, 2009). The question of how much companies should pay to senior executives to attract, motivate and retain them to keep the business competitive and engender the attainment of the shareholders' wealth maximization goal has remained a subject of debate.

Employee Development Cost

Development cost is one of the main function that directly contribute to the development of employees. Research also suggests that the organizations investing considerably in training justify their investment by the contribution training makes to improve individual and firm performance (Manukaji, Osisioma & Okoye, 2019). Employee development cost being employed by organizations helps them to enhance employee skills and firm performance (Solkhe and Chaudhary, 2011; Delaney and Huselid, 1996). Rajashekharaiah (2014) assert that training and development is also attracting, developing, and retaining a diverse workforce that helps in providing the different skills required to maintain and improve the firm performance and Chow (2005) opined that training and development are the component of HPWSs. The components of training and development activities including formal training develop employee skills and impart knowledge beyond the current position off the job training induction training program for new comers and training programs for present employees. Expenditure on staff training is another dimension of staff costs incurred by entities. Trainings usually involve costs payable by entities. Staff training costs are seen as expenditures incurred on staff or employees for capacity building in order to maximize performance (that is profit). Capacity building entails investment in human capital, institutions and practices necessary to enhance human skills, overhaul institutions and improves procedures and systems. According to Abiodun (1999), training is a systematic development of the knowledge, skills and attitudes required by employees to perform adequately on a given task. Employee's training and development is seen as the most important formation of any competent management.

The historical cost of human resources is the sacrifice made in getting personnel. It seeks to recognize the actual cost incurred in recruiting selecting, hiring, training and development of employee, which are capitalized and amortized over the expected useful life of the human resource. The replacement cost of human resource is the amount that would be incurred if the present employees are to be replaced. It estimates the current market value, as human resource is valued on the assumption that a new similar organization will be created from the scratch. By this, cost to the firm is calculated if the existing human resources are to be replaced with other persons of equivalent talents, skill and experience. The costs incurred by an organization in replacing terminated employees, for instance, relate to advertisement, reemployments administrative function, interviews, and traveling cost, amongst others. However, this approach is weak due to the inability of firms to replace knowledge, competency, and loyalty of human resource precisely. The opportunity cost model, also known as market value method, is based on the economic concept of opportunity cost. It relates to the value of an asset when there is an alternative opportunity of using it. This implies that there is no opportunity cost for human resources who are not scarce (hence only scarce people form part of the human resource cost outlay). An employee is scarce when the employment of such person denies competitors the possessed talent, skill and experience. Thus, opportunity cost relates to the offer made by other employers to attract the employee. The goodwill model is used for valuation, when a firm makes return on investment above the industry average, hence the capitalization infer that unstated human resource value are presented within the organization to account for the excess earnings. Hermanson (1964) posited that supernormal earning is indicative of resources not shown on the balance sheet. Determining this involves forecasting future earnings and allocating any excess above normal expected earnings to human resources. The weakness, however, remains that it underestimates the value of human resources, limiting it to the amount in excess of normal earnings (and ignoring the actual human resource base required to carry out normal operation). It also uses earnings of the most recent years as basis, thereby ignoring forecast of future earnings which is equally useful in managerial decisions. The economic value model advocates that group value should be determined by estimating contributions to the total economic value of the firm. By this, a firm forecasts future earnings and subsequently discounts them to reflect the present value, so that a portion is allocated to human resources according to their contributions.

Financial Performance

Financial performance Companies commonly regard profit as a key measure of their success. Using profits as a measure may seem to imply that the organizations will benefit more if costs such as salaries and depreciation for capital reinvestment are reduced. However, lowering salaries to increase profits tends to lead to conflicts in the relationship between employees and management. Minimizing capital investment often has a negative impact on the efficiency of operations, and eventually affects profit (Pandey, 2010). Therefore, increasing profits by reducing such expenses is only a short-term measure. The only viable way to increasing profits in a sustainable manner is to increase the "economic pie" or value added through higher productivity. This can be done with better cooperation from employees, higher investment in capital, and optimal use of capital, through the adoption of an integrated approach to productivity measurement. This approach brings together the various dimensions or indicators of companies' operations and linked to show how each of them affects overall performance. Such indicators are usually financial, value added-based ratios that provide management with information on productivity and profitability. Nonetheless, value added based ratios are measures of efficiency that is usually avoided by researchers in the assessment of company performance. Value added is used as a measure of output that represents the wealth created through the organization's production process or provision of services. Value added measures the difference between sales and the cost of materials and services incurred to generate the sales (Deep & Narwal, 2014; Kamath, 2015).

Return on Asset

Return on asset measure the effectiveness of the economic unity in using its assets to generate profit especially manufacturing, the higher this ratio, the better the economic unity of them as it indicates the management efficiency in using its assets to generate profit and also it represents the ratio of how much a company has earned on its assets base, and the return on assets (ROA) can be obtained by dividing net profit with total assets. Micah, Ofurum and Ihendinihu (2012) noted that return on Asset (ROA) is measured as Profit before Tax/Average Total Assets. ROA is a measure of profitability that takes into consideration the assets necessary to produce income. Return on Assets expresses the net income earned by a company as a percentage of the total assets available for use by that company. ROA suggests that companies with higher amounts of assets should be able to earn higher levels of income. ROA measures management's ability to earn a return on the firm's resources (assets). The income amount used in this computation is income before the deduction of interest expense, since interest is the return to creditors for the resources that they provide to the firm.

Empirical Review

A number of related literature has been reviewed and properly documented to aid the study presented thus: Emmanuel, Chukwuma and Umunnakwe (2021), examined effect of employees' motivation on financial performance of insurance companies in emerging economies in Nigeria. The specific objectives of the study were to determine the extent at which intrinsic and extrinsic motivation strategies affect financial performance of insurance companies. They employed mixed research design using both research survey and ex-post facto and the sample size was 175 which was derived from a targeted population of 313 employees of insurance companies in Kaduna state, Nigeria. Data for the study was collected using structured questionnaire, annual publications of the Nigerian Insurance Digest (NIA) and financial reports of insurance company for 12 years' period 2008-2019. Regression results revealed that intrinsic motivational strategies significantly affect financial performance of insurance companies while extrinsic motivational strategies have no statistical significant effect on financial performance of insurance companies in emerging economies in Nigeria. The findings supported the prediction of Herzberg two-factor and self-determination theories. The study recommended that decision makers of insurance companies should put effective and efficient strategies in place by using the right ways to motivate both management and non-management staff in order to achieve increased financial performance that significantly justify opportunities in emerging economies.

Abdullahi, Adejola and Lambe (2020), examine impact of human resource accounting on investment decision in Nigeria. The contemporary issues surrounding human resources accounting has been well received in many disciplines, most especially in the field of management sciences. Human resources accounting is essentially the systematic accumulation of information about changes in investments made in human resources and reporting same back to management and all relevant stakeholder, in order to assist in making informed judgments that decision makers would otherwise not have made without such additional information. Given the importance of human resources management in contemporary times, this study seeks to assess the impact of human resource accounting on investment decision in Nigeria. By means of the ordinary least square (OLS) log-linear multiple regression model the study tested its formulated hypothesis that human resource accounting is highly significant to investors and requisite stakeholders in making informed investment decisions. More so, the inclusion of human resource accounting in financial reporting is desirable to aid the public in making rational decisions. The study therefore recommends that organization should enhance the retention of education and training of staff so as to avert wastage of knowledgeable investment and the company law should equally require companies to attach information about the value of human resource and the result of their performance during their accounting year

Manukaji, Osisioma and Okoye (2019), examined the effect of human resources development on the performance of quoted companies in Nigeria. The study is anchored on resources based view theory by Barney (1991). The study adopted ex post facto research design. A total of five companies quoted on the Nigerian Stock Exchange were examined using their 2014 to 2018 annual reports and accounts. Data were sourced on employee remuneration, training and development cost, size of the employee, and return on assets a proxy for performance. The data generated were analyzed using descriptive statistics, correlation test and ordinary least square estimation technique. The study found that employee remuneration and training and development cost have significant effect on performance of quoted companies in Nigeria. Size of employees was found to have insignificant effect on performance of quoted companies in Nigeria. The study concludes that human resources development has significant effect on performance of quoted companies in Nigeria. The study recommends systemic and continuous evaluation of the human resources to determine those that needs development. Onipe (2019) examined effect of intellectual capital management and financial competitiveness of listed oil and gas firms in Nigeria. In Nigeria, most of the interests of scholars and policy makers are on the competitiveness of the economy. Very little is said about firm-level competitiveness. In view of this, this study interrogates the influence of intellectual capital management on firm financial competitiveness. Financial competitiveness is measured using financial performance proxies (return on assets, return on equity and asset turnover). Intellectual capital management is measured by value added intellectual coefficient score, human capital efficiency, structural capital efficiency and capital employed efficiency. The analysis is based on oil and gas firms listed on the Nigerian Stock Exchange and covers the period 2006 to 2018. Results indicate that capital employed and human capital have significant positive effects on return on assets. However, structural capital shows significant negative effect on return on assets. The study, therefore, recommends that management of oil and gas firms should increase their investment in capital employed and human capital while reducing investment in structural capital.

Oyedokun and Saidu (2018) examined the impact of intellectual capital on financial performance of listed Nigerian oil marketing companies over 10 years (2007-2016). Intellectual capital was measured by market to book value ratio (MB), Value Added intellectual coefficient (VAIC), and monetary model of Tobin’s Q (MMQR) while financial performance was measured by return on asset (ROA). Ex-post facto research design was adopted while data was extracted from the firms’ financial statements. Results showed that market to book value has a negative significant impact on return on asset. Monetary model of Tobin’s Q has insignificant impact on return on asset while Value added intellectual coefficient also has insignificant impact on return on asset. The study recommends that oil and gas companies in Nigeria should not put more resources in intellectual capital. Ugwuanyi and Onyekwelu (2018) assessed the effect of intellectual capital on revenue and market values of 3 listed information and communication technology firms in Nigeria over 10-year period (2004-2013). Human capital, structural capital and capital employed were used as proxies for intellectual capital while gross revenue and market price per share were used for measuring financial performance. The study adopted ex-post facto research design and data were sourced from annual reports and accounts and analyzed using Ordinary Linear Regression. Results showed that intellectual capital has positive and insignificant influence on revenue. Also, result showed that human capital efficiency has positive and insignificant influence on share price. The study recommends that human capital efficiency should be increased so that share price of oil and gas companies can be maintained in Nigeria.

Sani and Usman (2018), examine the impact of financial performance on human capital efficiency of quoted oil and gas companies in Nigeria. The secondary sources of data were employed while the panel data collected were analysed using multiple regression model. The findings revealed that the level of human capital efficiency in the Nigerian oil and gas companies could be influenced by market price per share and book value per share. The study recommends that oil and gas companies in Nigeria should increase their human capital investment to boost their book value per share through continuous training and retraining of human asset, among others. Omole, Yusuf and Adeyemo (2017) examined effect of human capital accounting on shareholders' value in oil and gascompanies in Nigeria. This is with a view to providing information on how costs incurred on personnel could be identified, measured and disclosed on the statement of financial position of companies as an asset which is the key factor to the successful operation in oil and gas industry. The study made use of secondary data collected for the period 2004 – 2016. The entire oil and gas companies listed on the Nigerian Stock Exchange (NSE) were selected for the study based on availability of human capital accounting information in their Annual Reports. Data on variables such as human capital disclosure, dividend per share and earnings after tax were collected from the Annual Reports of the companies. Data collected were analyzed using correlation and regression analysis using the E-view statistical package. Findings revealed that that the nature and characteristics ofinvestments on the human resource require them to be capitalized rather than expensed. The study establishedthat there is positive significant relationship between human capital costs and the shareholders' value in oil and gas companies in Nigeria. The study recommended that that standard should be created for human resource disclosure and measurement in order to enhance valuation of human capital, ensure uniformity in disclosure and more reliable interpretation and comparison of financial statements.

Theoretical Framework

Resource Based Theory

This was introduced by Wemerfelt (1984) and refined by Banney (1991) central to the proposition of Resource Based Value (RBV) is that a firm represents a collection of unique resources and capabilities that provide basis of sustained competitive advantage so long as they are valuable, rare, difficult to imitate and non-substitutable (VRIN) (Barney, 1991). The theory presumes that firms are a bundle of heterogeneous, capabilities that are imperfectly immobile across firms. According to this view, firm performance can be attributed to unique resource rather than industry structure, a proposition supported by strategy literature (Gathrie, Datha & Wright, 2004). Hall (1992) and Grant (1996) classified resources into tangible assets, intangible assets and human resources with human being characterized as the most productive asset. Corporate reputation, corporate culture and employees Know-how were characterized as more influential than tangible assets as they are likely to meet Baneys (1991) four conditions outline. Competitive advantage can be attributed to unique resources particularly intangible ones when they are combined or integrated. The prevalent belief among academics and management practitioners is that individual employee performance affects firm level of outcomes. This means that the contributions of individual employee at various levels of organisation results in corporate goal. For these reason employee‘s intellectual competence, employee‘s skill and corporate human resource function, must be properly developed if corporate goals must be achieved. Thus, this position is rooted in Barney (1991), resource based theory of the firm as cited by Bassey and Tapang (2012). The resource based theory indicated that human resource provides a source of sustained competitive advantage which consists of four basic requirements of value, rare, imitable and organisation (VRIO) that must be present within the organization's human resource at all times.

Expectancy theory

This theory was propounded by Victor Vroom (1964). The theory focuses on the relationship between rewards and behavior. It posits that behaviour (job performance) can be described as a function of ability and motivation while motivation is a function of expectancy, instrumentality, and valence perceptions. Although this theory implies that linking an increasing amount of rewards to performance will increase motivation and performance, some authors have argued against this assumption, emphasizing that monetary rewards may increase intrinsic motivation. Extrinsic motivation depends on rewards – such as pay and benefits – which are controlled by some external variables whereas intrinsic motivation depends on rewards that flow naturally from work itself. Therefore, while it is important to keep in mind that money is not the only effective way to motivate behaviour, and that money rewards will not always be the answer to motivation problems, it does not appear that monetary rewards run much risk of compromising intrinsic motivation in most work settings. The relevance of the theory to this study is that it is believed a well paid staff will be motivated to work better, which will further translate to improved profitability of the entity.

Human Capital Theory

This study is built on the Human Capital theory proposed by Schultz (1961) and extensively developed by Becker (1964) as cited in (Seth, 2009). The theory has its root from labour economics which is a branch of economics that focuses on general work force in quantitative term. According to the theory, Human capital theory contends that education or training raises the productivity of workers by imparting useful knowledge and skills, thus raising workers' future income through increase in their lifetime earnings. The theory postulates that expenditure on education or training and development is costly, and should be considered as investment since it is undertaken with a view to increasing personal incomes.Human capital approach is used to explain or support occupational wage differential. However, the position of this study is that education or training and development will not only increase employee personal income, it will also serve as a means of achieving corporate competitive advantage which reflects ultimately in organisational performance. According to Flamholtz and Lacey (1981), as in Baney and Wright (1997), human capital theory distinguished between general skills and firms' specific skills of human resources. General skills are skills possessed by individuals which provide value to a firm and are transferable across a variety of firms. For instance, all competitor firms have the potential to accrue equal value by acquiring employees with knowledge of general management, the ability to apply financial ratios, or general cognitive ability. On the other hand, specific skills provide value only to a particular firm, and such skills are of no value to competing firms. An instance of this is the knowledge of how to use a particulartechnology used only by one firm, or knowledge of a firm's policies and procedures provided to that firm, but usuallywould not be valuable to other firms. Thus, human capital is a means of production into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labour or fixed capital.

The human capital theory underpin this seminar because considered the cost of education, training, development and even workers' medical treatment as investments towards improved productivity (efficiency) of individual workers and also creates a sort of competitive advantage which ultimately could result in improved firm performance.

METHODOLOGY

This study adopted the ex post facto research design since the study is a secondary data research and the population of the study consists of nineteen (19) listed deposit money bank operating on the Nigeria Exchange Group (NGX) as at 31st December 2020. The sample size is 12 and purposive sampling techniques was adopted.Data required for this study were obtained from audited financial statements and annual reports of the listed deposit money bank firms in Nigeria 10 years under consideration and from the Nigerian Exchange Group fact book. The inferential analyses will also involve the application of the appropriate statistical technique of Panel Regression Analysis; this is due to the nature of the data.

Panel regression model

$ROA = \beta_0 + \beta_1 SW + \beta_2 EDC + \epsilon_{it}$.. (1)

Where:

β_0 = The autonomous parameter estimate (Intercept or constant term)

$\beta_1 - \beta_2$ = Parameter coefficient of Human Resource Management

ROA = Return on Asset
SW = Salaries andWages
EDC = Employee Development Cost
ϵ_{it}= Stochastic Error term

Descriptive Statistics

Descriptive statistics gives a presentation of the mean, maximum and minimum values of variables applied together with their standard deviations obtainable. The table below shows the descriptive statistics for the variables applied in the study. An analysis of all variables was obtained using the E-view 10 software for the period under review.

Table 1: Descriptive Statistics Result

	ROA	SW	EDC
Mean	36.23217	6.486667	1.468333
Median	36.98000	5.870000	1.085000
Maximum	46.98000	23.54000	5.700000
Minimum	23.50000	1.050000	0.090000
Std. Dev.	4.483476	3.636525	0.998821
Skewness	-1.202471	1.252783	1.808988
Kurtosis	4.572787	5.914419	6.749765
Jarque-Bera	41.28702	73.85851	135.7524
Probability	0.000000	0.000000	0.000000
Sum	4347.860	778.4000	176.2000
Sum Sq. Dev.	2392.085	1573.694	118.7197
Observations	120	120	120

Source: E-View 10 Output (2022)

Table 1 presents the descriptive statistics of the effect of human capital efficiency on financial performance of listed oil and gas firms in Nigeria during the period of 2011 to 2020. The table shows that return on asset (ROA) and return on equity ROE as a measure of financial performance has a mean of 36.23217 and 15.64275 respectively, with a standard deviation of 4.483476 and 3.746562, with a minimum value of 23.50000 and 10.10000 and maximum values of 46.98000and 27.54000respectively. Although the range between the minimum and maximum is wide, it implies a stable performance as the standard deviation indicated that there is no wide dispersion of the data from the mean value. For the other measure of human capital efficiency, employee remuneration (ER) from the table shows a mean of value of 6.486667with standard deviation of 3.636525 and the minimum and maximum values of 0.090000 and 1.990000 respectively. This implies that the human capital efficiency in terms of employee remuneration witnessed a substantial increase during the study period, as the standard deviation is so large compared to the mean, together with the huge range between the minimum and maximum values. Similarly, the table shows that the training and development cost (TDC) during the period has an average value of 1.134500 with standard deviation of 0.469353 and the minimum and maximum values of 0.090000 and 1.990000 respectively. This implies a tremendous increase in the training and development of employees during the study period. Also the mean value for medical and health expenses (MHE) is 1.133392, while the standard deviation also indicates 0.605262. The minimum and maximum value for medical and health expenses is 0.090000 and 3.000000 respectively.

Table 2: Hausman Test

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

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.

Cross-section random	1.030108	2	0.5975

Source: E-View 10 Output (2022)

The Result of Hausman test shows that chi-square statistics value is 1.030108 while the probability values is 0.5975. This implies that there is enough evidence to acceptthe null hypothesis which states that random effect is most appropriate for the Panel Regression analysis. It thus stands that error component model (fixed effect) estimator is not the most appropriate because the fixed effects are not well correlated with the regressors. Thus, the most consistent and efficient estimation for the study is the random effect cross-sectional model. Consequently, the result suggests that the randomeffect regression model is most appropriate for the sampled data because the Hausman test statistics as represented by corresponding probability value is greater than 5%.

Decision Rule: The decision rule for accepting or rejecting the null hypothesis for any of these tests will be based on the Probability Value (PV) and the Probability (F-statistic). If the PV is less than 5% or 0.05 (that is, if PV < 0.05), it implies that the regressor in question is statistically significant at 5% level; and if the PV is more than 5% or 0.05 (that is, if PV > 0.05), it is categorized as not significant at that level.

Table 3: Panel Regression Result (Random Effect)

Dependent Variable: ROA
Method: Panel EGLS (Cross-section random effects)
Date: 03/14/22 Time: 01:55
Sample: 2011 2020
Periods included: 10
Cross-sections included: 12
Total panel (balanced) observations: 120
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31.83464	1.178119	27.02157	0.0000
SW	0.436486	0.141419	3.086470	0.0025
EDC	1.066643	0.424532	2.512513	0.0133
	Effects Specification			
			S.D.	Rho
Cross-section random			2.608044	0.3607
Idiosyncratic random			3.472401	0.6393
	Weighted Statistics			
R-squared	0.196512	Mean dependent var		14.05956
Adjusted R-squared	0.182778	S.D. dependent var		3.825182
S.E. of regression	3.457978	Sum squared resid		1399.041
F-statistic	14.30759	Durbin-Watson stat		0.991600
Prob(F-statistic)	0.000003			

Source: E-View 10 Output (2022)

From table 3 above, the coefficient of multiple determinations (R^2) is 0.196512. This indicates that about 19% of the total variations in return on asset is explained by the variations in the independent variables (SW and EDC), while the remaining 81% of the variation in the model is captured by the error term. This indicates that the line of best fit is highly fitted. The standard error test is applied in order to measure the size of the error and determine the degree of confidence in the validity of the estimates. Usually if the standard error is smaller than half of the numerical value of the parameter estimate, it can be concluded that the estimate is statistically significant. Having carried out a standard error test on the parameters estimated and as also indicated by their respective probability values, the parameter estimate for SW is statistically significant, given that the individual probability is 0.0025which is less than 5%, while that of EDC is statistically significant, given that the individual probability is 0.0133 which is less than 5%. However, when taken collectively, the regressors (ER and TDC) against the regressed (ROA), the value of F-statistic is 14.30759and the value of the probability of F-statistic is 0.0000. This result implies that the overall regression is both positive and statistically significant at 5%. The coefficient of salaries and wages (SW) is 0.43646, while that of employee development cost (EDC) is 1.0664. This shows that all the explanatory variables SW and EDC are all positively related to ROA, such that a unit increase in SW and EDC will increase ROA by 0.43 and 1.06 respectively. This result is consistent with 'a priori' expectation which hypothesizes that increase in SW and EDC will lead to a significant increase in ROA and the empirical evidence suggests that the relationship between SW, EDC and ROA is infact statistically significant. Consequently, when taken collectively and based on the probability (F-Statistics) value of 0.0000, which is less than 0.05, the null hypothesis of the study is hereby rejected

Discussion Of Findings

This study aptly examined the effect of human resource managementon financial performance of listed deposit money banks in Nigeria, using panel series data and regression analysis approach. The human capital management proxied by salaries and wage (SW), employee development cost (EDC) for twelve (12) listed deposit money bank in Nigeriafor 10 years ranging from 2011 to 2020 were the independent variables while the return on asset (used to financial performance) was the dependent variable for the study. The effect of the independent variable on dependent variable was analyzed in terms of strength and significant and the panel regression analysis was used to compare the relationship among the variables. The result for themodel of the study showed that when taken individually and collectively,salaries and wages and employee development cost (EDC) has a positive and significant effect on return on asset taken as a measure of financial performance.This implies that salaries and wages, employee development cost is a significant and relevant predictor of financial performance in listed deposit money bank in Nigeria. That is to say there are empirical evidences to suggest that the attributes exhibited by the human resource management of deposit money bank, which naturally should promoteefficiency and productivity in deposit money bank financial dealings in Nigeria, is already having the desired effect.As such, the human resource elements of the listed deposit money banks have been able to exert the needed level of influence that is required to improve the tendencies of improved financial performance framework of the banking sector in Nigeria.The findings of the study is also in agreement with the position of Onipe (2019), who examined the effect of human resources development on the performance of quoted companies in Nigeria. The study specifically found out that employee remuneration and training and development cost have positive and significant effect on performance of quoted oil and gas companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

In the Accounting and financial literature several studies have investigated the link between human resource management and financial performance of listed deposit money banks in Nigeria. The conclusion of the study therefore is that salaries and wages with employee development cost has a significantly positive effect on financial performance and does substantially improve the performance of listed deposit money banks in Nigeria. The following recommendations were made based on the finding;

i. Management should not recruit more staff and should consider retaining only efficient staff, this implies that deposit money banks should downsize their number of staff and focus on training and re-training of the most efficient members of staff.

ii. Management should make retirement benefits attractive so as to attract best brains to their respective firms, and there should be a well-coordinated program for staff development if the firm's profitability and performance are desired to increase positively.

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