

Human Resource Cost and Corporate Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

This study investigates the relationship between human resource costs and the corporate financial performance of listed deposit money banks in Nigeria. The specific objectives of the study were to determine whether the director's remuneration cost, salary & wage cost, and pension and gratuity cost have any effect on the earnings per share of listed deposit money banks in Nigeria. An ex-post facto research design was adopted, and the study used secondary data from the annual reports and statements of account of selected banks listed on the Nigerian Exchange Group for the period 2018–2022. Judgmental sampling techniques were employed to investigate the relationship existing between the variables. The study showed that director's remuneration cost has no significant positive effect on earnings per share of listed deposit money banks in Nigeria, salaries and wages cost have a significant negative effect on earnings per share of listed deposit money banks in Nigeria, and pension and gratuity cost have no significant effect on earnings per share of listed deposit money banks in Nigeria. Generally, this study concludes that there is no significant positive relationship between human resource costs and the corporate financial performance of listed deposit money banks in Nigeria. The study therefore recommends that management should not recruit more staff and should consider retaining only efficient staff. This implies that deposit money banks should downsize their staff and focus on training and re-training the most efficient members of staff.

Keywords: Human Resource Costs, Director's Remuneration Cost, Salary and Wages Cost, Pension and Gratuity Cost, Financial Performance.

1.0 Introduction

The human element is an organization's primary motivator. Any organization's ability to effectively and efficiently manage and organize other aspects of production has a direct impact on its success or failure. This is especially true for human resources. The terms human resources, human capital, and human assets relate to the knowledge, inner capacities, and inventiveness of people (Abraham et al., 2022). It is the most crucial resource in an organization, according to Kimberlee (2019), since it manages and guides the other organizational resources. It is frequently seen as a vital resource in a company since stakeholders require tools that are capable of completing the task at hand. All the same, there is a price associated with having human resources; these are known as human resource expenses.

Human resources, which include all skilled, semi-skilled, and unskilled labor employed in the manufacturing process, are one of the primary components of production. According to Edom et al. (2015), the word human resource describes the group of people who work for an organization or a corporate entity. Enterprises in Nigeria still emphasize the value of knowledge assets as a kind of human capital. To create and preserve a competitive advantage, knowledge is increasingly acknowledged as the most crucial element of a company and more lasting strategic resources. Though the Companies and Allied Matters Act sets the general framework for financial accounting and reporting by registered companies and specifies the basic maximum requirements for financial reporting, one method used in

the evaluation and measurement of these knowledge assets are intellectual capital, which has been the main focus of attention in many fields, including accounting, management, information technology, as well as sociology (Edom, et al., 2015).

The financial records of firms unfortunately do not include information about human assets, which makes it more difficult to determine or assess the true profit of a particular business. As stated by (Kpefami et al, 2015; Korolo and Korolo, 2023; Egbadju, 2024), accountability for the effective use of all other firm resources has been a major concern. They also reaffirm that the accounting literature has not given human resources, the term used historically to refer to the human capabilities employed by the corporation, enough credit or recognition throughout the years. The quality of staff within an organization plays a major role in its overall performance.

The current corporate environment is characterized by rapidity, which has led companies to evaluate the significance of intangible assets, especially human resources, in their operational processes. Human resources are an essential component of any organization. Human resources are vital to the day-to-day operations and goal achievement of any successful firm. Human resources' ability to manage other resources is critical to the business's performance (Bassey & Tapang, 2019). This is because human resources' ideas and aptitudes form the basis of every business strategy and technical execution, encompassing planning, evaluating, executing, managing, and controlling (Rao, 2018).

In addition, the quality of a company's human resources has a big impact on how well and efficiently it manages its physical assets (Okpako et al., 2019). According to Bahrami et al. (2018), human resources not only increase competitiveness but also provide value by cutting expenses and encouraging innovation. To get a competitive edge, a business must be able to make the most of its current people resources by employing the appropriate tactics. To provide value to the company, it should endeavor to improve its workforce through human resource development initiatives, for which it needs HR data. Avazzadehfath and Raiashekar (2020) state that accounting for human resources will supply this information.

It is essential for decision-making and assessing the company's long-term investment in human resources (Jacob & Farouq, 2021; Avazzadehfath & Raiashekar, 2020). Human resource accounting can provide valuable insights. Long-term human resource decisions would impact the organization's productivity and performance (Avazzadehfath & Raiashekar, 2020). In light of this, the purpose of this research is to investigate how human resource expenses affect the corporate financial performance of Nigerian deposit money banks that are listed.

Cardinal to human capital management is the fundamental issue of human capital value. The rapid waste of human capital is another reason why most businesses today do not want to invest in human capital development. The foundation of human capital management is the process of valuing human capital and knowing how to account for its value in financial reports. However, there is no one appropriate method for assessing human capital for financial record-keeping purposes. It is also a long-term asset that is wasted, and as such, its asset nature cannot be sufficiently quantified in the statement of financial position other than by treating it as an expense (Omodero & Ihendinihu, 2017, Korolo, 2023).

Moreover, like any other business or institution in the world, banks undoubtedly face a number of difficulties. Among the many problems banks face are how to maintain exceptional performance and how to define and measure outstanding performance. Should performance management be disregarded

or improperly used, banks could suffer grave consequences. There are various metrics for measuring performance; some are numerical or quantitative, while others are qualitative. While a few of these factors significantly impact the financial health of banks, others hardly have any effect. The wide variety of indicators makes it difficult to determine which ones best capture the state and current situation of banks. Furthermore, a few elements influence banks' performance but are not under their control. For this reason, companies usually employ a range of Key Performance Indicators (KPIs) to monitor both previous and current performance as well as pinpoint areas that may require development (Alao, et al., 2023).

The majority of studies on human resource accounting conducted by scholars such as Omodero and Ihendinihu (2017), Amahalu et al. (2016), and Ijeoma and Aronu (2013) focus on the impact of human resources on the financial performance of Nigerian firms using internal financial performance measures like Return on Equity (ROE) and Return on Assets (ROA). However, most potential investors base their decisions about a company's performance more on external market valuation factors, such as dividend cover, price-earnings ratio, earnings per share, and earnings yield, than on internal financial performance metrics. From the above, the concept of corporate performance has not been measured using earning per share which is one of the gaps found in literature. Therefore, using earnings per share as a gauge of the financial success of Nigeria's listed deposit money banks, this study aims to investigate the impact of human resource costs on corporate financial performance. The following hypotheses were stated (there is no significant relationship between director's remuneration, salary & wages and pension & gratuity and earning per share of listed deposit banks in Nigeria) to help guide through the study.

2.0 Literature Review

Several related literatures have been reviewed and properly documented to aid the study presented thus: Adegbayibi et al (2024) investigates how the cost of human resources affects the earnings per share of Nigerian listed manufacturing companies. The ex-post facto research design was used in this study. Sixty-two manufacturing companies listed on Nigeria Exchange Group comprise the research population. The study was reliant on secondary data taken from 41 manufacturing enterprises' annual financial reports that were chosen and covered the years 2011 through 2020. Regression analysis and descriptive statistics were used to analyze the data. The study's conclusions demonstrated that Compensation Costs (CC) have a statistically negligible negative impact on EPS. Retirement Benefit (RB) has a statistically significant negative impact on EPS as well. Additionally, there is a statistically significant beneficial impact of Employee Training Costs (ETC) on EPS. The study came to the conclusion that lowering human resource expenses, especially those associated with employee training and retirement benefits, could increase businesses' profits. Therefore, in order to improve EPS, which will have a long-term impact on the financial success of the companies, it is advised that listed manufacturing enterprises raise their investments in employee capacity building through trainings, seminars, and workshops as well as increasing retirement benefit packages.

Kankpang et al (2024) Analyze how quoted oil and gas companies in Nigeria are doing financially in relation to their human resource costs (HRC). Staff size, training and development, and staff compensation cost were used in the study as stand-ins for HRC. Conversely, profit after tax (PAT) served as a stand-in for profitability. The research design used in the study was ex post facto. The study's data came solely from secondary sources. 15 oil and gas businesses that were listed on the Nigerian Stock Exchange as of December 31, 2021, made up the study's population. It was discovered that the cost of staff compensation positively and significantly correlated with enterprises' PAT. Additionally, it was

discovered that although employee training and development expenses have a major impact on PAT, staff size has a negative impact on PAT for oil and gas organizations. The study's recommendations are based on the data and suggest that the pay structure of oil and gas companies be made more appealing and competitive, that staffing levels be lowered for increased efficiency and cost minimization, and that training and development initiatives be created to improve employee performance, lower operating costs, and increase efficiency.

Oyetola and Olalere (2024) investigated the impact of depreciating their human resource costs on the financial performance of Nigerian banks. This study employed the survey research design as its methodology. The questionnaire validated the data sources' validity and reliability. Descriptive and regression statistics were used to analyze the data. Human resources were found to have a significant impact. The results demonstrated the positive impact of human resource training costs on financial performance. HRTC had a considerable impact on FP, and HRAC had a major impact on FP. The study indicates that employing acquisition costs for human resources improves the financial performance of a firm. The study recommends that management boards of the banks under investigation strive toward putting the policy of classifying human resource costs as assets into effect. Regular training sessions for the HR department are vital for banks to ensure that their workers possess the technical know-how and comprehension needed to accomplish their responsibilities more effectively. The Central Bank of Nigeria should make sure that the money allotted to the organization's human resources are correctly stated and acknowledged as assets in bank annual reports, as they are the organization's most valuable asset. This will provide a more realistic representation of the institutions' actual financial performance.

Using the return on investment (ROI) of listed assurance businesses in Nigeria, Beida (2024) investigates the impact of human resources accounting cost information on investment decision proxies. Training and development costs, personnel costs, and firm size are introduced as control variables. With a population of 23 companies, of which 15 were sampled using purposive sampling procedures, the ex-post facto study design was used. We used secondary data sources from listed assurance businesses' annual reports in Nigeria, covering the fiscal years 2013 through 2022. E-views 10 was utilized to analyze the outcome using panel regression analysis. Based on the study's findings, listed assurance companies in Nigeria saw a strong and good return on their investment when it came to training and development expenses. Additionally, the Return on Investment of Nigeria's listed assurance companies was positively and significantly impacted by human costs. In light of this discovery, it is advised that assurance firms boost staff welfare and make greater investments in the education and training of their workforce in order to maximize the effectiveness of their human capital.

This study by Ogunbiyi-Davies (2023) looks at how human resource accounting affects the financial performance of a few chosen food and beverage companies in Nigeria. Eight of these food and beverage firms' panel data from 2002 to 2021 was analyzed using EViews 10.0. Employee safety expenditures did not significantly boost corporate performance, according to the study's findings, but staff development, training, and welfare costs did. However, over the course of the study periods, recruitment expenditures had a considerable negative influence on the return on assets (ROA) of the selected food and beverage enterprises in Nigeria. The investigation concluded that accounting for human resources is necessary to maintain a company's financial performance as a consequence. As a result, the study suggests that instead of considering staff training as an unusual occurrence, management in certain organizations consistently do both on- and off-the-job training.

Alao et al (2023) investigated the effect of accounting for human resources on the organizational performance of deposit money banks in Nigeria. In this study, an ex post facto research design was employed. Secondary data came from the financial statements of Nigerian deposit money institutions. Convenience sampling was employed in this study, and ten (10) Deposit Money Banks in Nigeria were chosen at random during the course of a ten-year study period (2012–2021) from a total of twenty-four (24) banks. This is equivalent to one hundred bank-year observations. The data analysis employed both descriptive and inferential statistics. The results of the study showed that return on equity and return on capital employed were both highly impacted by human resource accounting. The study discovered a strong relationship between human resource accounting and organizational performance of deposit money banks with Nigerian registrations. It is recommended, nevertheless, that bank management employ these different human resource strategies, since they will help them regardless of whether the business is in trouble or not, and because they will eventually affect the most important metrics – profits per share, return on equity, and return on capital employed.

Ovedje and Iserien (2021) uses samples from Nigerian listed manufacturing companies to examine the impact of human resource accounting on financial performance between 2011 and 2020. The Human Resource Accounting (HRA) proxies utilized in this study to evaluate the impact on financial performance in Nigeria are employee cost, employee size, and directors' compensation. The statistic used to evaluate financial performance is return on asset. Additionally, the researchers employed earnings per share as the control variable in line with another research. The researchers come to the conclusion that the only factors that significantly affect the financial performance of certain manufacturing enterprises in Nigeria are the size of the workforce and the compensation of the directors. It is noticed that director compensation tends to lower financial performance, even while staff size clearly boosts the financial performance of the firms under consideration. The researchers carefully advise that the performance-based compensation scheme for directors be viewed as less acceptable in light of the study's findings.

In Nigeria's emerging economies, Emmanuel et al.'s (2021) study looked at how employee motivation affected insurance businesses' financial success. The sample size of 175 was drawn from a targeted demographic of 313 workers of insurance businesses in Kaduna state, Nigeria, and was obtained through the use of a mixed research methodology that used a research survey and ex-post facto methods. The Nigerian Insurance Digest (NIA) yearly publications, financial reports of insurance companies for the 12 years of 2008-2019, and a structured questionnaire were used to gather data for the study. The financial performance of insurance companies in emerging economies such as Nigeria is significantly impacted by intrinsic motivational strategies, whereas extrinsic motivational strategies do not have a statistically significant effect on the financial performance of insurance companies, according to regression results. According to the study, insurance company decision-makers should implement strategies that are both effective and efficient, using appropriate methods to inspire and encourage management and non-management personnel to achieve higher financial performance, which amply validates opportunities in emerging economies.

The influence of accounting for human resources on investment choices in Nigeria was investigated by Abdullahi et al. in 2020. Considering the significance of human resource management in the modern day, the goal of this study is to evaluate how human resource accounting affects investment choices in Nigeria. The study examined the premise that human resource accounting plays a crucial role for investors and other stakeholders in helping them make well-informed investment decisions by using the ordinary least square (OLS) log-linear multiple regression model. Furthermore, it is preferable for

financial reporting to incorporate human resource accounting to support the public in making informed decisions. Therefore, to avoid wasting knowledge investment, the study advises organizations to increase staff retention of education and training. Additionally, the law about corporations should mandate that companies attach information regarding the value of their human resources and the outcome of their performance during the course of their accounting year.

Manukaji et al (2019) study looked at how quoted firms in Nigeria performed in the development of their human resources. The research design used in the study was ex post facto. Using the annual reports and accounts from 2014 to 2018, a total of five companies that are quoted on the Nigerian Stock Exchange were investigated. The cost of training and development, workforce size, employee compensation, and return on assets as a stand-in for performance were all sources of data. Ordinary least square estimation methods, correlation analyses, and descriptive statistics were used to examine the obtained data. The research indicates that there is a noteworthy correlation between the performances of Nigerian quoted businesses and employee compensation as well as training and development expenses. It was discovered that the performance of Nigerian quoted firms was not significantly impacted by the number of employees. Based on the study's findings, firms in Nigeria perform significantly better when their human resources are developed. To identify which human resources require development, the study suggests a systematic and ongoing review of them.

The impact of managing intellectual capital on the financial competitiveness of Nigerian-listed oil and gas companies was studied by Onipe (2019). The study examines how managing intellectual capital affects a firm's ability to compete financially. Financial performance proxies, such as return on equity, return on assets, and asset turnover, were used to gauge financial competitiveness. Human capital efficiency, structural capital efficiency, capital employed efficiency, and value-added intellectual coefficient score are the metrics used to assess intellectual capital management. Based on oil and gas companies registered on the Nigerian Stock Exchange, the analysis spans the years 2006 through 2018. The return on assets is significantly positively impacted by both human and employed capital, according to the results. The return on assets is significantly impacted negatively by structural capital, nevertheless. Therefore, the study suggests that management of oil and gas companies should prioritize investing in people and capital resources above structural capital.

Oyedokun and Saidu (2018) examined the impact of intellectual capital on the 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). An ex-post facto research design was adopted while data was extracted from the firm's financial statements. Results showed that market-to-book value has a negative significant impact on return on assets. The value-added intellectual coefficient and Tobin's Q monetary model have negligible effects on return on assets, respectively. The report advises Nigerian oil and gas businesses against investing more in intellectual capital.

Likewise, Ugwuanyi and Onyekwelu (2018) evaluated the impact of intellectual capital during ten years (2004-2013) on the income and market prices of three listed ICT companies in Nigeria. We measured financial performance using gross revenue and market price per share, and we utilized human capital, structural capital, and capital employed as proxies for intellectual capital. Data from yearly reports and accounts were used in the study, which used an ex-post facto research approach. Ordinary Linear Regression was used for analysis. According to the findings, revenue is positively and marginally

impacted by intellectual capital. Additionally, the outcome demonstrated that share price is positively and marginally impacted by human capital efficiency. The study suggests that to sustain the share price of oil and gas businesses in Nigeria, human capital efficiency should be raised.

Human capital development in the organizational performance of Southeast Nigerian manufacturing industries: Mbah et al, (2018), human capital development in the organizational performance of Southeast Nigerian manufacturing industries; Pearson correlation coefficient data analysis techniques were employed; findings revealed a statistically significant human capital effect on the performance of organizations of South-East Nigeria manufacturing industries. Adebawojo (2017), Mediating role of human asset accounting on organizational performance and growth in the banking industry in Nigeria, ex-post facto research designs and surveys were adopted on the topic.

The impact of human capital on the profitability of manufacturing enterprises in Nigerian listed corporations was presented by Olowolaju and Oluwasesin (2016). The purpose of their investigation was to determine whether human resources have an impact on profitability. Regression and descriptive statistics were used in the data analysis process. Human capital was found to have a beneficial impact on profitability. The impact of human resource costs on the financial performance of Nigerian enterprises was also suggested by Omodero et al. (2016). The goal of the study was to determine how investments in human resources affected Nigerian companies' financial results. They used information that was obtained from publicly available financial statements of ten listed Nigerian companies. The OLS approach was used for data analysis. Their results demonstrate the significant and favorable impact that personnel benefit expenses have on profitability.

The impact of human resource expenses on corporate organizations' productivity was investigated by Bassey and Arzizeh (2012). Ex-post facto design was used, and they obtained data from ten (10) NSE companies. Their study's findings demonstrated how acquisition and development expenses have a big impact on business productivity. Hanran and Wenshu (2014) investigated how intangible assets affected the profitability of IT companies in Hong Kong. Descriptive statistics and regression analysis were used in the data analysis, and total assets and net profit were used to calculate profitability. The outcome demonstrated a strong correlation between intangible assets and profitability. Furthermore, Ifurueze et al (2014) proposed an empirical investigation of the aggregated cost of human resources' impact on businesses' profitability, utilizing the OLS regression technique for data analysis. Their findings indicate a positive correlation between profitability and HR costs, and they also show that variations in profitability can be explained by differentiating HR expenditures into capital and revenue expenditures.

3.0 Methodology

The ex-post facto research design was adopted in this study. The population of the study consists of all nineteen (19) quoted deposit money banks in Nigeria as of 31st December 2022. The sample size of the study includes ten (10) quoted deposit money banks in Nigeria selected on data availability and their performance ranking in terms of profit declared and asset base for the period of five (5) years from (2018-2022). The sampling technique adopted is judgmental sampling techniques. The basis of selecting these banks was to ensure that all banks in the industry were covered and the availability of their annual financial report within the research period. This study relied extensively on secondary data which was handpicked from the annual report and statement of account of selected banks listed on the Nigerian Exchange Group for the period under study.

There are two basic variables and four proxies to be used in the study. They are corporate performance the dependent variable, which is proxies for Earning per Share while human resources cost the independent variable and will be proxies for Director Remuneration, Salaries and Wages, and Pension & Gratuity. Earnings per Share (EPS): This will be measured by dividing the net income by the available shares which show the value of a stock in terms of how much the market is willing to pay for each naira of earnings. Director's Remuneration (DR): This is taken as the total cost of compensation (monetary) paid to directors. Salaries & Wages (SW): This is given as the total cost compensation paid for the performance of employees. Pension & Gratuity (PG): This is given as the total cost of compensation paid to qualified retired employees.

Both descriptive and inferential analysis were be performed in this research. Descriptive statistics was performed on the row data to determine the mean, median, standard deviation, etc. of the data set. Regression Analysis was performed to test the hypotheses. Panel Generalized Least Square (GLS) model will be used. This is because GLS has the Best Linear Unbiased Estimation; it is linear Unbiased and has the smallest variance as compared with all other linear unbiased estimators. Another reason for the use of GLS is fairly simple as compared with other econometric techniques and the data requirements are not excessive.

The effect of human resource cost on corporate financial performance will be empirically investigated by the instrumentality of regression models, by considering the following general specification;

$$EPS = f(DR, SW, PG) \text{-----} (1)$$

The above equation is explicitly stated below as an econometric model by adding the constant term (β) and error term (μ);

$$EPS_{it} = \beta_0 + \beta_1 DR_{it} + \beta_2 SW_{it} + \beta_3 PG_{it} + \mu_{it} \text{-----} (2)$$

Where;

EPS = Earnings Per Share

DR = Director's Remuneration

SW = Salaries & Wages

PG = Pension & Gratuity

μ = Error term capturing other explanatory variables not explicitly included in the model.

β_0 = Constant term or intercept of the explanatory variable regression line.

β_1, β_2 = Beta coefficients of the independent variables

it = Time or period.

4.0 Results and Discussion

Descriptive Analysis

This study examines the effect of human resource costs on the financial performance of listed deposit money banks in Nigeria. The descriptive statistics of the study variables as shown in Table 1 provide information about the sample statistics of the variables in the study, such as mean, median, maximum, and minimum values, and the distribution of the sample scaled by skewness, Jarque-Bera statistics, and kurtosis. The variable for this study is Earnings per Share (EPS) which serves as the dependent variable, while Salaries and Wages Cost (SW), Director's Remuneration (DR) and Pension & Gratuity cost (PG) serve as the independent variables. The descriptive analysis is shown in Table 1 below.

Table 1: Descriptive Analysis

	EPS	SW	DR	PG
Mean	172.458	63504742	1.81E+08	3.31E+08
Median	77.000	40777000	72000000	4.27E+08
Maximum	883.000	4.98E+08	9.82E+08	8.46E+08
Minimum	0.590	6377000.	1063681.	992399.0
Std. Dev.	230.538	81591391	2.52E+08	3.02E+08
Skewness	1.451	3.978	1.762686	0.076
Kurtosis	4.127	20.093	5.457695	1.398
Jarque-Bera	20.182	740.610	38.47607	5.392
Probability	0.000	0.000	0.000000	0.067
Sum	8622.880	3.18E+09	9.07E+09	1.66E+10
Sum Sq. Dev.	2604248.00	3.26E+17	3.10E+18	4.46E+18
Observations	50	50	50	50

Source: E-views Version 10.

From Table 1 above, a high level of consistency was displayed by the data series, as their mean and median fall within the minimum and maximum values. For instance, the mean value of earnings per share is 172.458 percent for deposit money banks in Nigeria, while salaries and wages cost, director's remuneration, and pension & gratuity cost have an average value of 63.50 billion, 1.81 billion, and 3.31 billion respectively. The minimum value of earnings per share stood at 0.59 percent while having a maximum of 883.00 percent. Salaries and wages cost, director's remuneration, and pension and gratuity cost have maximum values of 4.98 billion, 9.82 billion, and 8.46 billion respectively together with respective minimum values of 6,377,000 billion, 1,063,681, and 992,399 million respectively. It is observed that salaries and wages cost have the highest standard deviation of 81,591,391 and therefore has the lowest contribution to the earnings per share of quoted deposit money banks in Nigeria.

Correlation Analysis

The correlation analysis determines the relationship between each pair of the dependent and independent variables. The degree of relationship may be high, moderate or low. The correlation result is shown in table 2 below

Table 2: Correlation Analysis

Correlation	EPS	LOGSW	LOGDR	LOGPG
EPS	52084.950 1.000			
LOGSW	-3.410 -0.018	0.708 1.000		
LOGDR	61.065 0.111	-0.458 -0.226	5.834 1.000	
LOGPG	14.280 0.024	-0.017 -0.082	1.018 0.164	6.586 1.000

Source: E-views 10.

The correlation result above shows that the log of Salaries and wages cost (LOGSW) has a low negative relationship with earnings per share of quoted deposit money banks in Nigeria having a correlation value of (-0.017). The result further shows that director's remuneration (LOGDR) also has a low but positive

relationship with earnings per share of quoted deposit money banks in Nigeria having a correlation value of (0.111). It was also discovered that pension and gratuity cost have a low positive relationship with earnings per share of listed deposit money banks in Nigeria.

Hausman Test

The Hausman test is used in determining the best model fit for a panel regression analysis. The null hypothesis of the model states that the Random effect is more appropriate than the fixed effect model. The null hypothesis is rejected if the p-value of the Hausman test is less than a 5% level of significance. The underlying idea of the Hausman test is to compare the most two efficient and fit sets of the employed model as presented as follows. Table 3 below shows the result of the Hausman test.

Table 3: 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	1.546981	3	0.0015

Source: E-views 10.

The analysis above shows that the p-value of the Hausman test is 0.0015 is less than a 5% level of significance. This shows that the alternative hypothesis is accepted that the fixed effect model is most appropriate for this study. This study will therefore be analyzed using the fixed effect model.

Other Diagnostics Tests

To ensure that, the panel estimate is reliable, accurate, and valid, we subjected the model to the cross-sectional dependence test for robustness check. The result is shown in Table 4 below.

Table 4: Cross-Section Dependence Test

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	73.534	45	0.08 5
Pesaran scaled LM	3.008		0.073
Bias-corrected scaled LM	1.758		0.079
Pesaran CD	-0.469		0.639

Source: E-views Version 10.

The results presented in Table 4 evidenced that, the series are correctly specified and exhibited no autocorrelation issue since their p-values are all above 5%. The estimated model passed all the tests and fit for policy recommendation.

Test of Hypotheses

This section discusses the regression results about the impact of human resource cost on the performance of listed deposit money banks in Nigeria for the period under review. Having ascertained that the series is fit for policy recommendation, we then subjected the model to panel least square regression analysis. The panel regression estimate is presented in Table 5 below:

Table 5: Panel Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-134.885	383.454	-0.352	0.727
LOGSW	-2.433	10.886	-0.224	0.024
LOGDR	0.947	6.397	0.148	0.883
LOGPG	18.547	19.036	0.974	0.336
<i>Effects Specification</i>				
Cross-section fixed (dummy variables)				
<i>Weighted Statistics</i>				
R-squared	0.919	Mean dependent var		217.510
Adjusted R-squared	0.893	S.D. dependent var		241.965
S.E. of regression	105.152	Sum squared resid		409107.300
F-statistic	35.006	Durbin-Watson stat		1.628
Prob(F-statistic)	0.000			
<i>Unweighted Statistics</i>				
R-squared	0.691	Mean dependent var		172.458
Sum squared resid	804595.700	Durbin-Watson stat		1.260

Source: E-views Version 10.

Table 5 above shows the regression results on the effect of SW, DR, and PG on EPS. The estimated regression for the model is: $EPS = -134.8852 - 2.433228 (LOGSW) + 0.947100 (DR) + 18.54650 (PG)$. The decision rule is that the null hypothesis is accepted if the p-value is greater than a 5% level of significance otherwise, the null hypothesis is rejected and the alternate hypothesis is accepted.

The cumulative R^2 (0.9190) which is the multiple coefficients of determination gives the proportion or percentage of the total variation in the dependent variable earnings per share (EPS) as explained by the independent variables (LOGSW, LOGDR, PG) jointly. Hence, it signifies that 91.9% of the total variation in performance (EPS) of deposit money banks listed in Nigeria is caused by the collective effort of salaries and wages, director's remuneration, and pension and gratuity costs. This result further indicates that the model is fit, and variables are properly selected, combined, and used in the study. This is statistically supported by the F-Sig (0.0000). However, the F-statistics does not determine which of the variables makes the overall model to be highly statistically significant. Given this, we used the p-values of each variable to test which of the variables was significant or not.

H_{01} : *There Is No Significant Relationship between Director's Remuneration and Earnings Per Share of Listed Deposit Money Banks in Nigeria.*

Table 5 above shows that LOGDR has a co-efficient of 0.9471 and a p-value of 0.8831. This indicates that the director's remuneration has a positive insignificant effect on earnings per share having a p-value greater than 0.05. This means that an increase in the director's remuneration will lead to an increase in earnings per share of deposit money banks in Nigeria. This therefore led to the acceptance of the null Hypothesis which states that there is no significant positive relationship between directors' remuneration and earnings per share of listed deposit money banks in Nigeria

H_{02} : *There is No Significant Relationship between Salary and Wages and Earnings Per Share of Listed Deposit Money Banks in Nigeria.*

Table 5 above shows that LOGSW has a co-efficient of -2.433228 and a p-value of 0.0244. This indicates that salaries and wages have a negative significant effect on earnings per share having a p-value less than 0.05. This means that an increase in salaries and wages will lead to a decrease in earnings per share of deposit money banks in Nigeria. This therefore led to the rejection of the null hypothesis and the acceptance of the alternate hypothesis which states that there is a significant negative relationship between salary and wages and earnings per share of listed deposit money banks in Nigeria

H₀₃: There is No Significant Relationship between Pension & Gratuity Cost and Earnings Per Share of Listed Deposit Money Banks in Nigeria.

Table 5 above shows that LOGPG has a positive coefficient of 18.546 and a p-value of 0.3362. This indicates that pension and gratuity costs have a positive insignificant effect on earnings per share having a p-value greater than 0.05%. This means that an increase in pension and gratuity costs will lead to an insignificant increase in earnings per share of listed deposit money banks in Nigeria. This therefore leads to the acceptance of the null hypothesis which states that there is no significant positive relationship between pension and gratuity cost and earnings per share of listed deposit money banks in Nigeria.

Discussion of Findings

The main objective of this study is to determine the effect of human resource costs on the corporate financial performance of listed deposit money banks in Nigeria. This study considered three human resource costs which are salaries and wages, director's remuneration, and pension and gratuity costs. The result from the panel regression result shows that there is no significant positive relationship between directors' remuneration and earnings per share of listed deposit money banks in Nigeria.

The study also shows that there is a significant negative relationship between salaries and wages and earnings per share of listed deposit money banks in Nigeria Ovedje and Iserien (2021) investigated the relationship between listed money deposit banks in Nigeria's financial performance and their accounting for human capital. The study's conclusions showed that the financial performance of Nigeria's listed money deposit banks is impacted by salary and payroll costs. The study done by Omodero *et al* (2016) on the effect of human resource costs on the financial performance of firms in Nigeria. The Findings revealed that staff cost significantly affects Earnings per share, Net profit margin, and return on capital employed by banks.

The study finally shows that there is no significant positive relationship between pension and gratuity cost and earnings per share of listed deposit money banks in Nigeria. Manukaji, *et al.*, (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 the performance of quoted companies in Nigeria. Bassey and Arzizeh (2012) examined the influence of human resource costs on the productivity of corporate organizations. The results indicate that banks with high intellectual capital recorded high financial performance.

5.0 Conclusion and Recommendations

The study concludes that there is no significant positive relationship between directors' remuneration and the financial performance of listed deposit money banks in Nigeria. The study also concludes there is a significant negative relationship between salaries and wages and the financial performance of listed deposit money banks in Nigeria. The study finally concludes that there is no significant positive relationship between pension and gratuity costs and the financial performance of listed deposit money banks in Nigeria. In line with the findings from this study, the following recommendations are proffered: (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 to attract the best brains to their respective firms, and there should be a well-coordinated program for staff development if firms' profitability and performance are desired to increase positively.

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