

## **Human Resource Costs' Influence On Financial Performance Of Nigerian Consumer Goods Company**

**Bankole Toyin Olajumoke**

*Department of Accounting, Faculty of Management Sciences, Ekiti State University, Ado Ekiti Nigeria*

*\*Corresponding Author: Bankole Toyin Olajumoke*

**ABSTRACT:-** In this paper, 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, and it is recommended that greater commitment to manpower development, and relevant retirement packages should be designed towards positive performance improvement.

**Keywords:-** Human Resource Cost, Financial Performance, and Return on Asset.

### **I. INTRODUCTION**

The term "human resource" describes organization's workforce whose activity is geared towards the actualization of the goals and objectives of the organization. It is often viewed as vital asset in terms of skill and ability. Kimberlee (2019) described it as the most important resource in an organization because it controls and directs the other organizational resources. It is often seen as a vital asset in an organization because stakeholders need resources that are able to get job done. However, human resource come at a cost, which is often referred to as human resource costs.

Bullen and Eyler (2013) perceived human resource costs (HRC) to involve expenses on personnel, and such expenses incurred on the workforce of an organization toward their recruitment, training and development, payment of salary and wages, director's emolument, retirement benefits, allowances, welfare care and medical expenditure of staff. Despite divergent views as to whether HRC has positive contribution to financial performance as viewed by Ogenyi and Oladele (2015), it is evident that HRC has growing importance as a determinant of economic success both at microeconomic and macroeconomic levels. Therefore, companies need to adjust to this evolving economic reality.

In Ovidiu-Iliuta (2013), HRC was identified as the motivator that holds many personnel in place of their employment for performance improvement mainly because as a key motivator, it impacts personnel diligence and commitment. Rosikah, Dwi and Miswar (2018) see a company's financial performance as a factor perceived by prospective investors as a determinant of stock investment. This follows that human resource costs may have influence on the financial performance of consumer goods' companies in Nigeria. In the measurement of a firm's financial performance, there are some commonly used indicators such as Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Return on Sales (ROS), Net profit Margin (NPM), and Earnings per Share (EPS).

In this study, Salary and Wages, Director's Emoluments, Pension Cost, and Gratuity cost are measures of HRC. Also, ROA is regarded as a measure of companies' financial performance to reveal the connection between the investment on human resource and financial performance of Nigerian consumer goods companies.

Therefore, the need arises to account for the contribution of human resource towards organization's financial performance. This will help to determine the effectiveness or otherwise of human resources in such organization. Therefore, this paper seeks to factor out the influence of HRC on financial performance of Nigerian Consumer Goods Company. This would be achieved by analyzing the influence of salary and wages, directors' emolument, pension cost and gratuity cost on financial performance of Nigerian Consumer Goods Company.

## **II. LITERATURE REVIEW**

### **a. Conceptual Issues**

In conceptual review section, the basic concepts of the research are explored with the aim of isolating the important variables in this research as discussed in the next section.

#### **2.1.1 Human Resources Costs**

Human resource is used to describe the entire organization's workforce that is assigned to manage other resources in an organization towards realizing organization objectives. Human resource costs are designed for organization to ascertain proper information for manpower planning, utilization of human resource, information for making personnel policies, increase moral and motivation, attraction of best human resource and valuable information to investors. According to Cooke, in Ifurueze, Odesa, and Ifurueze (2014) accounting for human resource involves accounting for expenditures related to personnel. It was further stated that human resource costs provide valuable information both for management of an organization as well as outsiders. Nevertheless, human resource costs faced a lot of challenges, the development and application of human resource costs in industries has not been encouraging. According to Ogenyi and Oladele (2015), human resource costs has no specific form or guidelines for valuation as an asset to be included in financial statement. They stated that human resources cannot be retained, owned, and utilized at the pleasure of company. Therefore, and it cannot be measured with other assets. Furthermore, non-recognition of human resource cost as asset by tax laws has reduced the human resource accounting concepts to a theoretical concept. Therefore, valuing human resource under certainty looks unrealistic because human resource life is uncertain.

#### **2.1.2 Components of Human Resource Costs**

There are variety of components of HRC, these includes: salary and wages, directors' emolument, pension cost, and gratuity cost.

##### **Salary and wages**

Salary and Wage are the payment to the entire workforce of organizations. Wages and salary are typically paid to staff in cash or in kind. In Surbhi (2015), salary is defined as a fixed sum paid to the employees at regular intervals due to their performance/productivity while wages are payments made on hourly basis to labour for the quantity of work completed daily. He said further that salaried individuals are involved in white collar jobs, meaning that they are well educated and skilled, are employed with a good social standing. while persons on wages are doing blue collar jobs, meaning that the person is engaged in a semi-skilled/unskilled job where he/she is gets daily wages. Agburu (2012) stated that salary and wages are of great importance in Nigeria; and it should not only be sufficient but must exhibit equity element particularly from employees' point of view. Wages or salary are of high importance and decisive due to the fact that if they are not sufficient, life becomes uncertain for the employee and the immediate members of his/her family. Wages and salary are emphasized by employees because they occupy a venter stage in the scheme of things as regards compensation for work.

##### **Director Emolument**

Director Emolument is the compensation offered to the executive/non-executive directors of organizations. Directors' compensation may be monetary or otherwise based on agreement between the directors and the organization. However, the emolument is usually in accordance with what is written in the association's article. In order to have the right motivation to perform in stakeholders' interest, top executive officers must be rightly compensated. The nature, pattern of compensation and structure of compensation and its attendant effect on the general welfare of an enterprise had been a subject of debate among corporate directors, financial journalists, and economists (Lambert & Banker in Nyaoga, 2014).

##### **Pension and Gratuity Cost**

Retired employees of organizations are paid retirement benefits in form of gratuities and this forms part of the responsibilities of employers. The retirement benefits are usually paid in one lump sum at the point of exiting from the company. This is to assist the employees to alleviate the effects of discontinuity of the regular

income of the employee. The fact that gratuity could not reduce the outcome of salary discontinuity led to devising additional benefits of retirement which is known as pension (Oladipo & Fashagba 2012). The series of regular monetary payment to a retiree from employment due to age, completion of agreed time span, or disability (Yusuf, 2014). In Ayegba, James, and Odoh (2013) pension is described to include such payments a retiree receives when they retire from active service. This is done under pre-determined contractual or legal terms provided some conditions such as completion of years of service or minimum age for retirement have been fulfilled. Such benefits could be in the form of pension or gratuity. The coverage of the defined Contributory Pension scheme in private sector to include entities with more than two employees, to be in agreement with the plan to include the participation of the informal sector. According to Yusuf (2014), the main goal of Pension Scheme is to ensure that the life of retirees after active service are not in danger because of constraints in finance.

### **2.1.3 Financial Performance**

Performance is an indication of companies' accomplishments. Moneva and Ortas (2010) viewed financial performance as terms of maximizing owners' wealth. Financial performance measures organization general financial wellbeing health in a given period of time. It is the used for measuring the outcomes of organization operation and policies in pecuniary terms. Moreover, it means performing financial activities and the degree to which financial goals has been achieved. Rosikah, Dwi and Miswar (2018), stated the financial performance of a company is a factor that is perceived by prospective investors as a determinant of stock investment. Report of finances issued by a company depicts the company's financial performance. To measure a firm' financial performance, commonly used indicators include Net Profit Margin (NPM), Return on Capital (ROC), Return on Assets (ROA), Earnings Per Share, Price/Earnings Ratio, Return on Equity (ROE), and Economic Value Added.

### **2.1.4 Measures of Corporate Financial Performance**

The ratios for measuring financial performance exist in different forms and are different from each other when viewed from different dimensions such as the choice of which metric to use. The following metrics are often used for financial performance measurement: Net Profit Margin (NPM), Return on Assets (ROA), Return on Equity (ROE), and Return on Capital (ROC). In this study ROA is used as measures of firm's financial performance.

#### **Return on equity**

Thorp (2012) described ROE as an indicator that can be used measure the financial performance of an organization. It depicts the extent organizations manage their capital effectively. He stated further that it measures how well an organization uses investments to generate their earnings' growth. ROE measures an organization's profitability by disclosing the profit generated using shareholders fund. A steadily increasing ROE is a sign that management is giving shareholders more for their investment, indicated by shareholders' equity. According to Khaddafi and Ummah (2014) ROE is the ratio of Net profit after taxes to total shareholders' equity, this ratio is a measure of shareholders rate of return on their investment into the company.

#### **Return on Assets**

Rosikah, Dwi and Miswar (2018) viewed ROA as a ratio, known as return on total assets, that measures the net income generated by total assets during the period by comparing net income to average total assets. Moreover, ROA measures the efficiency with which a company can manage its assets for profit generation. They explain further that ROA is a measure of organization's ability to create future profits using company's total assets. The higher the ROA of an organization, the better the organization's performance. According to Brigham and Houston in Rosikah, Dwi and Miswar (2018), ROA is computed by the comparison of available net profit to total assets for common shareholders.

#### **Net Profit Margin**

According to Tulsian (2014) NPM ratio shows the relation between net sales and net profit. NPM is achieved by dividing Net income by total revenue. He stated further that the ratio is computed to determine the efficiency of organization business. A higher ration implies a better operational efficiency of the organization.

## **2. 2 Theoretical Review**

### **Present Value of Future Earnings/Benefits Theory**

Lev and Schwartz in Shamim, Rofigul and Majedul (2014) introduced the theory of employee economic valuation based on the present value of employee future earnings, and adjusted for the possibility of the death, separation, or retirement of employee. This method helps to determine what the future contribution of an employee is worth at present. In this theory every employee is grouped based on their age and skill and the

average earnings are then determined for various ranges of age. The sum total of the earnings that will accrue to each group up to the age of retirement are then computed. The total of the earnings computed thus are then discounted at the rate of capital cost and the value derived is the value of human resources or assets. This model has the advantage of being objective in the valuation of human resources.

Going by this theory, the worth of human resource symbolized in a person that is some years old represent the present worth of his/her future earnings resulting from employment. Hermanson in Akintoye, Siyanbola, Adekunle and Benjamin (2018) and Flamholtz in Ifurueze, Odesa and Ifurueze (2014) also proposed this theory as well. The developed models from this theory appears more objective due to the fact that they applied broad based statistics like return on census income and mortality tables. In this paper, the analysis of the influence of salaries and wages, director's emolument, pension cost and gratuity cost on the financial performance of Nigerian Consumer goods company is carried out.

### 2.3 Empirical Review

Bassey and Arzizeh (2012) examined the influence of human resource costs on the productivity of corporate organizations. They sourced data from ten (10) companies on NSE; *ex-post facto* design was employed. The result of their paper revealed that acquisition and development costs significantly influence corporate productivity. Hanran and Wenshu (2014) studied the effect of intangible assets on profitability of I.T. firms in Hong Kong. Data analysis was done using descriptive statistics and regression analysis, while Total Asset and Net Profit were employed in the measurement of profitability. The result revealed that significant link exists amongst intangible assets and profitability. Also, in (Ifurueze, Odesa, and Ifurueze, 2014), an empirical study of aggregated cost's impact of human resources on the profitability of companies was proposed. OLS regression technique was used for data analysis. Their findings show that there exists a positive link between profitability and the cost of human resource. Further findings depicted that profitability changes can be explained, when human resource expenditures are discriminated into capital and revenue expenditures.

Olowolaju and Oluwasesin (2016) proposed human capital effect on manufacturing companies' profitability on Nigerian quoted companies. Their research work sought to find out whether human resource affects profitability. Analysis of data was done with Regression and Descriptive statistics. It was discovered that profitability was positively influenced by human capital. Likewise, Omodero, Alpheaus and Ihendinihu (2016) proposed human resource costs impact on Nigeria firms' financial performance. The study sought to find out the effect of human resource investment on financial performance of Nigerian firms. They used data sourced from published statement of finance of ten firms in Nigeria that are listed. Data analysis was done using OLS technique. Their findings show that personnel benefit costs exert positive, and important effect on Profitability. The study of Adebawojo (2017) on the topic "mediating role of human asset accounting on organizational performance and growth in banking industry in Nigeria" *ex-post facto* research designs and survey were adopted. The findings show that a positive relationship exist between organizational performance and human asset accounting. Lastly, in (Mbah, Aga, and Onyia, 2018) human capital development on organizational performance of South-East Nigeria manufacturing industries was examined. Pearson correlation coefficient data analysis techniques were employed. Findings revealed statistically significant human capital effect on performance of organizations of South-East Nigeria manufacturing industries.

## III. RESEARCH METHOD

The study used *ex-post facto* research design, and Human Capital theory propounded by introduced by Gary Becker 1964 was applied as underpinning theory. Secondary data were sourced from published annual financial statements of the selected consumer goods companies trading on the floor of NSE for the period of Ten years (10) spanning 2009-2018, these companies include: Dangote Sugar Refinery Plc, PZ Industries Plc, Flour Mills Nig. Plc, Nestle Nig. Plc, Guinness Nig. Plc, Nascon Allied Industries Plc, Unilever Nig. Plc, Cadbury Nig. Plc, Honey Well Flour Mill Plc and Nigeria Breweries Plc. Data analysis was done using Static Panel Estimation techniques which consist of POLS Estimator, FEM, REM and Post Estimation Test. This includes: Lagrange Multiplier Test (to compare POLS Result and Panel Effect Estimator Result) and Hausman Test (to compare FEM result with REM result) was used to evaluate Static Panel Estimators. The *a-priori* expectation of the model is that all independent variables have positive effects on dependent variables.

### 3.1 Model Specification

To empirically ascertain influence of HRC on financial performance of Nigeria consumer goods company the model below was specified;

$$\begin{aligned}
 \text{FP} &= f(\text{HRC}) \dots\dots\dots (1) \\
 \text{ROA} &= f(\text{SLW, PEC, DCM, GRT}) \dots\dots\dots (2)
 \end{aligned}$$

The econometric model is presented as:

$$ROA_{it} = \beta_0 + \beta_1 SLW_{it} + \beta_2 PEC_{it} + \beta_3 DCM_{it} + \beta_4 GRT_{it} + \mu_{it} \dots\dots\dots (3)$$

Where:

FP = Financial Performance measured by (ROA).

HRC = Human Resource Cost components proxied by Salary and Wages (SLW), Pension Cost (PEC), Director's Emolument (DCM) and Gratuity Cost (GRT).

it = Company i at time t

$\beta_0$  = Constant intercept

$\beta_1$ -  $\beta_4$  = Coefficients of independent Variables

$\mu$ = Error term

#### IV. RESULT PRESENTATION AND INTERPRETATION

The result of analysis in this work is presented in this section. This includes the result of POLS Estimator, Fixed Effect Estimator, Random Effect Estimator and Post Estimator test result

**Table 4.1 Results of Pooled Ordinary Least Squares (POLS)**

Variables	Coefficient	Std. Error	t. statistic	PV
C	0.070158	0.152700	0.459450	0.6470
LNSLW	0.066019	0.017499	3.772804	0.0003***
LNPEC	0.069104	0.015837	4.363340	0.0000***
LNDCM	0.049079	0.013802	3.555931	0.0006***
LNGRT	0.095922	0.010058	9.537070	0.0000***
R <sup>2</sup>	0.716079			
AdR <sup>2</sup>	0.704125			
DW	1.043992			
F- stat	59.90016			0.0000***

Source: Author's Computation (2020)

P-value levels of significance. \*, \*\* and \*\*\* shows significance levels of 10, 5, 1 percent respectively. R<sup>2</sup> = R-Squared, AdR<sup>2</sup> = Adjusted R-Squared, DW= Durbin-Watson Stat., F-stat = F-Statistic, PV = Probability Value.

POLS Results above revealed that the consumer goods company's variables, namely the SLW, PEC, DCM and GRT exerts positive, and statistically significant impact, on ROA with coefficient values .066019, .069104, .049079, .095922 (p. value = 0.0003, 0.0000, 0.0006, 0.0000) respectively. Also, the result revealed R<sup>2</sup> of 0.72 and Adj R<sup>2</sup> of about 0.70. Adj R<sup>2</sup> indicated about 70% changes in financial performance can be explained by PBC. This implies that this effectively accounts for changes in financial performance. Also, it can be applied as a good decision-making tool in a firm. DW statistic of this model is 1.04, which indicates that there is autocorrelation in the residuals of our variables.

**Table 4.2 Fixed Effects Model Result, ROA as explained variable.**

Variables	Coefficient	Std. Error	t. statistic	PV
C	0.365141	0.215715	1.692699	0.0941*
LNSLW	0.017615	0.016561	1.063616	0.2905
LNPEC	0.040940	0.016029	2.554078	0.0124**
LNDCM	0.020521	0.011295	1.816882	0.0727*
LNGRT	0.026541	0.012590	2.108131	0.0379**
R <sup>2</sup>	0.919799			
AdR <sup>2</sup>	0.907675			
DW	1.524114			
F-stat	75.86917			0.0000***

Source: Author's Computation (2020)

Fixed Effects Estimators Result above shows that the regression coefficient of PEC, DCM and GRT exerts positive, and statistically significant impact on ROA with coefficient values 0.040940, 0.020521, and 0.026541 (p. value = (0.0124, 0.0727, and 0.0379) respectively. Meanwhile, predictor SLW exerts insignificant



but positive influence on ROA with coefficient value of 0.017615 ( $p = 0.2905$ ). The  $R^2$  of 0.919 and Adjusted  $R^2$  of about 0.907, is the rate of variability on the ROA by all HRC variables (SLW, PEC, DCM, GRT) combined. That means ROA of Firms affects the behaviours of the explanatory variables which are accounted for by the model. The DW value of 1.5 indicate no autocorrelation in the residuals of our variables. The F test tell us if our group of variables is jointly significant. The F-statistic is 75.86917 ( $p\text{-value} = 0.0000$ ), indicates variables are in fact jointly statically significant at 5%. The result shows that all explanatory variables can altogether influence ROA.

**Table 4.3 Random Effects Model (REM), ROA as explained variable.**

Variables	Coefficient	Std. Error	t. statistic	PV
C	0.039441	0.166088	0.237468	0.8128
LNSLW	0.060565	0.014000	4.425950	0.0000***
LNPEC	0.013624	0.013781	0.988614	0.3254
LNDCM	0.041846	0.010321	4.054380	0.0001***
LNGRT	0.029777	0.010368	2.871858	0.0005***
$R^2$	0.183965			
Adj $R^2$	0.149605			
DW	1.024042			
F-stat	5.354132			0.0006***

Source: Author's Computation (2020)

Random Effects Estimators Result above revealed that the predictor PEC exerts insignificant but positive impact on ROA with coefficient values 0.013624 ( $p = 0.3254$ ), indicating positive relationship with ROA. Also, predators SLW, DCM and GRT exerts positive significant impact on ROA with coefficient value 0.060565, 0.041846, and 0.029777 ( $p = 0.0604, 0.0393, \text{ and } 0.027732$ ) respectively.  $R^2$  of 0.1839 and Adj  $R^2$  of about 0.149605. The DW value of 1.02 implies that autocorrelation exists in the residuals of our variables. F-statistics is 5.354132 ( $p\text{-value} = 0.000$ ). P-value is below 5% ( $p < 0.05$ ), the study concludes that PBC significantly influence financial performance.

#### 4.2 Post Estimation Test

**Table 4.4. Lagrange Multiplier Test Result (LMT)**

Breusch-pagan	Model 1: ROA
Both	14.32268
Prob.	0.0002***

Source Author's Computation (2020)

The Lagrange Multiplier Test Result above show that Breusch-pagan value is 14.32268 ( $p\text{-value}$  of 0.0002). Probability value is below 5% ( $PV < 0.05$ ), this model is statistically significant. Therefore, Lagrange multiplier test result is in favour of panel effect estimator over POLS estimator model. Therefore, the study proceeded to examine the result of the Random Effect Estimator and Fixed Effect Estimator to determine the most efficient and consistent estimation test result for this study.

**Table 4.5 Result of Hausman Test**

Test Summary	ROA
Chi-Sq. Statistic	79.357057
Probability	0.0000***

Source: Author's Computation (2020)

Result of Hausman test in Table 4.5 revealed high Chi-Sq. Statistic value to the tune of 79.357057, alongside  $p\text{-value}$  of 0.0000. Probability value is below 0.05 ( $p < 0.05$ ). findings revealed a positive, and statistically significant result which implies that fixed effect estimation result is the most efficient and consistent estimation result that can track true nature of the nexus between financial performance and personnel benefit costs of Nigeria Consumer Goods Companies. Based on the results of post estimation test carried out, it is established that fixed effect estimator is appropriate.

### V. DISCUSSION OF FINDINGS

The various analysis and test conducted on influence of HRC on financial performance of selected Nigerian consumer goods companies. Panel POLS, FEM and REM was conducted and result showed that HRC

components proxied by SLW, PEC, DCM, and GRT can jointly influenced financial performance measured by (ROA) of Nigeria Consumer Goods Companies. The FEM Estimator result presented in the Table 4.2 been the most appropriate model, established that independent explanatory variables PEC, DCM and GRT exert positive, and significant influence on dependent variable to the tune of 0.040940, 0.020521, and 0.026541 (p-value 0.0124, 0.0727, and 0.0379) respectively. while predictor SLW exerts positive, but insignificant influence on financial performance to the tune of 0.017615 (p = 0.2905).

The findings of SLW, PEC, and DCM revealed that these three HRC components had the expected positive effect on ROA and the model is statistically highly significant. Result is in consistence with *Apriori* expectation. Also, findings of Salary and Wages (SLW) from analysis result proved a positive but insignificant impact on ROA. Highly motivated employee build advantages for their organization and lead the organization to its objectives. Therefore, this result suggest that management should enhance attractive salary and wages which may increase human resource productivity, improve morale, creativity, performance, attracting the right candidate for employment which is usually achieved via increasing salary and other staff benefits. Based on the overall findings, it is established that HRC influenced financial performance of Nigeria Consumer goods company. The overall results corroborate previous empirical studies and were in agreement with the findings of Abdul and Muhamad (2014); Omodero, Alpheaus and Ihendinihu (2016); Fariborz and Raiasheka, (2011); Oyinyechil and Ihendinihu, (2018); Okpako, Atube and Olufawoye, (2014) that investment in human resource have significant influence on financial performance of organizations.

## VI. CONCLUSION AND RECOMMENDATION

The conclusion established from the findings is that human resource cost in an organization contribute positively and improve financial performance; results in equitable treatment of human resource and enhance quality of work life; assist management to make effective decision that could promote organizations; increase organizational investment in that investors have the assurance of efficient use of their resources. Human resource value can also be used as a determinant of the profitability and stability of organizations. Therefore, it is recommended that organizations should ensure that relevant retirement packages, and remuneration identified as the glue that holds many personnel in place of their employment, are designed for improvement in their performance. This would be well received by all personnel as motivation for better performance on their job.

## REFERENCES

- [1]. Abdul, H. & Muhammad, R. (2014). Impact of Compensation on Employee Performance (Empirical Evidence from Banking Sector of Pakistan). *International Journal of Business and Social Science*, 5(2).
- [2]. Adebawojo, O. A. (2017). Organizational Performance and Growth: The Mediating Role of Human Asset Accounting in Nigeria Banking Industry. *IOSR Journal of Humanities and Social Science*, 22(1), 24-29. DOI: 10.9790/0837-2201012429.
- [3]. Agburu, J.I (2012). Recent Trends in Wage and Salary Administration in Nigeria: A Synopsis on Theoretical and Empirical Challenges. *International Journal of Basic and Applied Science*; 1(2), 257-268.
- [4]. Akintoye, I., Siyanbola, T., Adekunle, I., & Benjamin, I. (2018). Human Resource Accounting: A Panacea to Financial Reporting Problem. *Research Journal of Finance and Accounting*, 14(9), 25-41.
- [5]. Ayegba, O. James, I. & Odoh, L. (2013). Evaluation of Pension Administration in Nigeria. *British Journal of Arts and Social Sciences*, 5(2), 97-108.
- [6]. Bassey, E. & Arzizeh, T. (2012). Capitalized Human Resources Cost and Its Influence on Corporate Productivity: A Study of Selected Companies in Nigeria. *International Journal of Financial Research*, 3(2), 48-59. DOI: 10.5430.
- [7]. Bullen, M. L., & Eyler, K. (2013). Human Resource Accounting and International Developments: Implications for Measurement of Human Capital. *Journal of International Business and Cultural Studies*, 1, 1-16.
- [8]. Farah, N., Farrukh, I. & Faizan, N. (2016). Financial Performance of Firms: Evidence from Pakistan Cement Industry. *Journal of Teaching and Education*, 5(1), 81-94.
- [9]. Fariborz A., & Raiashekar, H. (2011). Decision – making based on Human Resource Accounting Information and its Evaluation Method. *Asian Journal of Finance and Accounting*, 3(14).
- [10]. Hanran, L. & Wenshu, W. (2014). Impact of Intangible Assets on Profitability of Hong Kong Listed Information Technology Companies. *Macrothink Institute of Business and Economic Research*, 4(2), 98-113.
- [11]. Ifurueze, S., Odesa, O., & Ifurueze, P. (2014) Impact of Aggregated Cost of Human Resources on Profitability. *Journal of Business & Management*, 3(2), 30-43.
- [12]. Khaddafi, M., & Ummah, A. (2014). Influence Analysis of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Debt to Equity Ratio (DER), and Current Ratio (CR), Against

- Corporate Profit Growth in Automotive in Indonesia Stock Exchange. *International Journal of Academic Research in Business and Social Sciences*, 4(12), 101-111. DOI: 10.9790/5933.
- [13]. Kimberlee, L. (2019). Importance of Employee Performance in Business Organisations. Texas State, U.S.
- [14]. Mbah, P., Aga, C., & Onyia, E. (2018). Effect of Human Capital Development in Organizational Performance in Manufacturing Industries in South-East Nigeria. *International Journal of Academic Research in Economic and Management Sciences*, 7(3), 61-77, DOI: 10.6007/1.
- [15]. Moneva, J. M. & Ortas, E. (2010). Corporate environmental and financial performance: A Multivariate Approach. *Industrial Management & Data Systems*, 110 (2), 193-210.
- [16]. Mustafizur, R., Amzad, H., & Tabassum, A. (2013). Problem with Human Resource Accounting and A Possible Solution. *Journal of Finance and Accounting*, 4(18),1-10.
- [17]. Nyaoga R. B., Tarus, K. E., Basweti, A. K. (2014), Executive Compensation and financial Performance of Insurance Companies in Kenya. *Journal of Finance and Accounting*, 5 (1).
- [18]. Ogenyi, M.A., & Oladele, K.O. (2015). Human Resource Accounting in Nigeria: An Analysis of Challenges. *Research Journal of Finance and Accounting*, 6(22), 15-20.
- [19]. Ojeleye, Y. A. (2017). The Impact of Remuneration on Employees' Performance (A Study of Abdul Gusau Polytechnic, Talata-Mafara and State College of Education Maru, Zamfara State). *Arabian Journal of Business and Management*, 4(2), 34-43.
- [20]. Okpako, P., Atube, E., & Olufawoye, O. (2014). Human Resource Accounting and Firm Performance. *Global Journal of Commerce Management and Perspective*, 3(6), 232-237.
- [21]. Oladipo, J. A. & Fashagba, M. O. (2012). Evaluation of Compliance with the Stipulations of the Contributory Pension Scheme: A Case Study of Quasi-Government Institutions in Nigeria. *An International Multidisciplinary Journal, Ethiopia* 6 (4), 59-75.
- [22]. Olowolaju, P., & Oluwasesin, O. (2016). Effect of Human Capital Expenditure on the Profitability of Quoted Manufacturing Companies in Nigeria. *Asian Journal of Finance and Accounting*, 8(2), 155-170.
- [23]. Omodero, C., Alpheaus, O., & Ihendinihu, J. (2016). Human Resource Cost and Financial Performance: Evidence from Selected Listed Firms in Nigeria. *International Journal of Interdisciplinary Research Methods*, 3(4), 14-27.
- [24]. Ovidiu-Iliuta, D. (2013). Employee Recognition pay and Benefits on Job Satisfaction, Cross Country Evidence. *Journal of Business and Economics*, 4(1), 1-12.
- [25]. Oyinyechil, O. C., & Ihendinihu, J.U. (2017). Human Resource Accounting and Financial Performance of Firms in Nigeria: Evidence from Selected Listed Firms on The Nigerian Stock Exchange. *International Journal of Interdisciplinary Research Methods*, 4(2),25-33.
- [26]. Rosikah, Dwi, K., & Miswar, R. (2018). Effects of Return on Asset, Return on Equity, Earning Per Share on Corporate Value. *International Journal of Engineering and Science*, 7(3), 6-14.
- [27]. Shamim, H., Rofigul, I., & Majedul, P. (2014). Recognition, Measurement and Accounting Treatment of Human Resource Accounting. *International Journal of Ethics in Social Sciences*, 2(2).
- [28]. Surbhi, S. (2015). Differences between Salaries and Wages. Retrieved from <http://keydifferences.com/difference-between-salar andwages.html#ixzz4IG1CT6Vu>
- [29]. Thorp W. A. (2012), Deconstructing ROE: DuPont Analysis. *Computerized Investing First Quarter*, 12-15.
- [30]. Tulsian, M. (2014). Profitability Analysis (A Comparative Study of SAIL & TATA Steel). *IOSR Journal of Economics and Finance*, 3(2), 19-22.
- [31]. Yusuf, B. (2014), Assessment of Administrative Constraints of Contributory Pension Policy in Nigeria: A Study of Kano State Pension Fund Trustees. B.Sc. Project, Ahmadu Bello University, Zaria. (Unpublished).

**APPENDIX  
POOLED OLS RESULT**

Dependent Variable: ROA		
-------------------------	--	--



Method: Panel Least Squares				
Date: 01/22/20 Time: 12:51				
Sample: 2009 2018				
Periods included: 10				
Cross-sections included: 10				
Total panel (balanced) observations: 100				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.070158	0.152700	0.459450	0.6470
LNSLW	0.066019	0.017499	3.772804	0.0003
LNPEC	0.069104	0.015837	4.363340	0.0000
LNDCM	0.049079	0.013802	3.555931	0.0006
LNGRT	0.095922	0.010058	9.537070	0.0000
R-squared	0.716079	Mean dependent var		0.187534
Adjusted R-squared	0.704125	S.D. dependent var		0.208165
S.E. of regression	0.113230	Akaike info criterion		-1.470082
Sum squared resid	1.218001	Schwarz criterion		-1.339823
Log likelihood	78.50409	Hannan-Quinn criter.		-1.417364
F-statistic	59.90016	Durbin-Watson stat		1.043992
Prob(F-statistic)	0.000000			

**LAGRANGE MULTIPLIER TEST RESULT**

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	13.92461 (0.0002)	0.398071 (0.5281)	14.32268 (0.0002)
Honda	3.731570 (0.0001)	0.630929 (0.2640)	3.084752 (0.0010)
King-Wu	3.731570 (0.0001)	0.630929 (0.2640)	3.084752 (0.0010)
Standardized Honda	5.646249 (0.0000)	0.926142 (0.1772)	0.562481 (0.2869)
Standardized King-Wu	5.646249 (0.0000)	0.926142 (0.1772)	0.562481 (0.2869)
Gourieriou, et al.*	--	--	14.32268 (< 0.01)
*Mixed chi-square asymptotic critical values:			
	1%	7.289	
	5%	4.321	

**FIXED EFFECT RESULT**

Dependent Variable: ROA					
Method: Panel Least Squares					
Date: 01/22/20 Time: 12:59					
Sample: 2009 2018					
Periods included: 10					
Cross-sections included: 10					
Total panel (balanced) observations: 100					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	

C	0.365141	0.215715		1.692699	0.0941
LNSLW	0.017615	0.016561		1.063616	0.2905
LNPEC	0.040940	0.016029		2.554078	0.0124
LNDCM	0.020521	0.011295		1.816882	0.0727
LNGRT	0.026541	0.012590		2.108131	0.0379
Effects Specification					
Cross-section fixed (dummy variables)					
R-squared	0.919799		Mean dependent var	0.187534	
Adjusted R-squared	0.907675		S.D. dependent var	0.208165	
S.E. of regression	0.063251		Akaike info criterion	-2.554234	
Sum squared resid	0.344059		Schwarz criterion	-2.189510	
Log likelihood	141.7117		Hannan-Quinn criter.	-2.406624	
F-statistic	75.86917		Durbin-Watson stat	1.524114	
Prob(F-statistic)	0.000000				

**RANDOM EFFECT RESULT**

Dependent Variable: ROA				
Method: Panel EGLS (Cross-section random effects)				
Date: 01/22/20 Time: 13:01				
Sample: 2009 2018				
Periods included: 10				
Cross-sections included: 10				
Total panel (balanced) observations: 100				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.039441	0.166088	0.237468	0.8128
LNSLW	0.060565	0.014000	4.325950	0.0000
LNPEC	0.013624	0.013781	0.988614	0.3254
LNDCM	0.041846	0.010321	4.054380	0.0001
LNGRT	0.029777	0.010368	2.871858	0.0050
Effects Specification				
			S.D.	Rho
Cross-section random			0.059020	0.4654
Idiosyncratic random			0.063251	0.5346
Weighted Statistics				
R-squared	0.183965	Mean dependent var	0.060192	
Adjusted R-squared	0.149605	S.D. dependent var	0.091849	
S.E. of regression	0.084700	Sum squared resid	0.681546	
F-statistic	5.354132	Durbin-Watson stat	1.024042	
Prob(F-statistic)	0.000623			
Unweighted Statistics				
R-squared	0.450070	Mean dependent var	0.187534	
Sum squared resid	2.359167	Durbin-Watson stat	0.295838	

**HAUSEMAN TEST RESULT**

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		79.357057	4	0.0000
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
LNSLW	0.017615	0.060565	0.000078	0.0000
LNPEC	0.040940	0.013624	0.000067	0.0000
LNDCM	0.020521	0.041846	0.000021	0.0000
LNGRT	0.026541	0.029777	0.000051	0.0000
Cross-section random effects test equation:				
Dependent Variable: ROA				
Method: Panel Least Squares				
Date: 01/22/20 Time: 13:02				
Sample: 2009 2018				
Periods included: 10				
Cross-sections included: 10				
Total panel (balanced) observations: 100				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.365141	0.215715	1.692699	0.0941
LNSLW	0.017615	0.016561	1.063616	0.2905
LNPEC	0.040940	0.016029	2.554078	0.0124
LNDCM	0.020521	0.011295	1.816882	0.0727
LNGRT	0.026541	0.012590	2.108131	0.0379
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.919799	Mean dependent var		0.187534
Adjusted R-squared	0.907675	S.D. dependent var		0.208165
S.E. of regression	0.063251	Akaike info criterion		- 2.554234
Sum squared resid	0.344059	Schwarz criterion		- 2.189510
Log likelihood	141.7117	Hannan-Quinn criter.		- 2.406624
F-statistic	75.86917	Durbin-Watson stat		1.524114
Prob(F-statistic)	0.000000			

**\*Corresponding Author: Bankole Toyin Olajumoke**  
*Department of Accounting, Faculty of Management Sciences, Ekiti State University, Ado Ekiti Nigeria*