

EFFECT OF HUMAN CAPITAL DEVELOPMENT ON THE FINANCIAL PERFORMANCE OF BANKS IN NIGERIA: A STUDY OF SELECTED PUBLIC QUOTED COMMERCIAL BANKS (2005-2015)

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Abstract: -

The main objective of this study is to determine effect of human capital development on the financial performance of banks in Nigeria. The specific objectives were to find out if there exist a significant relationship between human capital development and earnings per share, net profit margin, return on asset and return on equity of banks in Nigeria. To achieve the aim of this study, the Ex-post facto research design and secondary data were used. Data on EPS, PAT, Personnel cost, Total asset, Equity and were extracted from 2005-2015 annual financial statement of selected quoted commercial banks. Data on human capital (HCROI was the proxy used for measuring human capital) which was the independent variable, and financial performance indicators (EPS, NPM, ROA, ROE) which were the dependent variables were subjected to simple regression technique in order to analyze and establish the relationship between the variable and to test the hypotheses. The test showed that there no significant relationship between human capital development and EPS of banks in Nigeria, since $p = sig = 0.350 > 0.05$. However human capital was seen to have a strong positive relationship with net profit margin, return on asset, and return on equity which was 0.904, 0.866 and 0.340 respectively as indicated by the R, which was the correlation coefficient of the two variables, also R^2 which were 0.818, 0.750 and 0.115, further revealed that human capital development accounts for 81.8%, 75% and 11.5%, contribution in Net Profit Margin, Return on asset and Return on equity of banks in Nigeria respectively, also their test showed that there was a significant relationship between human capital development and these variables since $p = sig = .000 < 0.05$. The study shows that the importance of human resource development cannot be overemphasized in the banking industry, and that proper and adequate investments in human capital development in the banking sector will indeed bring about positive improvement in their organizational performance. Based on the findings, it was recommended that efforts should be intensified by the banking institution and the government to increase investment on Human capital, which in the long run will lead to an increase in the performance of these institution and the country at large.

Keywords: *Human capital, human capital development, commercial banks, financial performance.*



INTRODUCTION

Once an applicant has been selected and placed properly by his organization, the next step is to transform him to meet the future requirements of the organization. Such transformation is done by means of training and development (Onuka & Ajayi, 2012).

The main ingredients that make up the quality of human capital are quality education and good health (Oyinlola & Adeyemi, 2014). For instance, modern economists seem to concur that education and health care are the key to improving human capital and ultimately increasing the economic outputs of the nation. Human capital development could be said to include investment in education, training, health as well as investment in all social services which influence man's productive capacities, especially transport facilities and housing. It is so considered for the fact that efficient management of the above mentioned resource elements will go a long way to enhance economic growth of a country.

Nigeria has moved forward by establishing some human capital training and development institutions to compliment formal schools, replace expatriate personnel and increase the quantity and quality of the available talents, these institutions qualitatively groom the best asset of the nation "Human Capital" which has been defined by Fredrick Harbison (1973, as cited in Olalere & Adenugba, 2013) as the energies, skills, talents and knowledge available in a country.

So many professional bodies have also established training institutes which have turned out well trained manpower in various fields into the labour market for the benefit of many organizations. Such institutions include the Institute of Chartered Accountants of Nigeria (ICAN), Chartered Institute of Bankers in Nigeria (CIBN), Chartered Institute of Personnel Management (CIPM). The unpredictability of economic environment coupled with various programmes and reforms often introduced by government have made it mandatory for commercial banks to make regular training of their staff very imperative in order to ensure their continuous existence in business. Introduction of Structural Adjustment Programme (SAP) in Nigeria in 1986 was an eye opener to the stakeholders in banking industry that it is only banks with dynamic workforce equipped with modern techniques that can survive the aftermath of the programme (Soludo, 2007 as cited in Sowunmi, Eleyowo, Salako & Oketokun 2015).

Unseen Wealth (2000, as cited in Yusuf 2011) asserts that firms with the most highly educated workforce enjoy above average productivity and profitability. No wonder that the issue of human capital development has continue to be important and how to maintain or enhance its value a topical issue.

A bank that is performance-focused must see its staff as partners in an organisational process aimed at baking a bigger cake for all stakeholders. Thus, it must necessarily provide a skill-mix that rejuvenates its workforce and guarantees the retention of institutional memory for sustained performance. This can be achieved through excellent staff training and development attained through well-focused training modules where staff across the cadres are exposed to external training (both local and overseas) as well as in-house modular training programmes (Oyinlola & Adeyemi, 2014).

While banks have traditionally emphasized shrewd use of financial assets, the increasingly competitive global market and recent economic recession is causing financial institutions to take a fresh look at the way they manage human capital. The goal is to attract, develop, and retain valued people while ensuring efficient use of human capital.

Statement of the Problem

Poor human capital development in most of the banks has made so many of them not to live up with the primary objectives of their existence. There is this belief that education is the major source of human capital development, according to Babalola (2003) human capital should be maintained in equilibrium position, where there will be no evidence of shortage or surplus supply of educated people. lack of educated and skilled labour in the banking institution has lead to poor performance of banks in Nigeria, most of these staffs find it difficult to adapt to the changes in their work environment, also most banks find it difficult to allow their staffs go for seminars, conference, or permit them to take study leave, these would have help equipped them with the right skills and knowledge that could have resulted in a better performance in the industry.

Most bank employees find it difficult to get release for further studies, also employees are not given the freedom to learn effectively doing on- the -job training ,staffs who are in charge of training the new employee on the job, might begin to feel threaten by the presence of this employee, that they now begin to hide their knowledge on the job. Even where banks commit enormous financial resources to staff training and development, staff health care and other welfare programmes, one could not tell whether its impact on organizational performance is significantly worthwhile.

Overtime, the following issues relating to the concept have remained unresolved: Uneven distribution of skilled manpower, Misemployment of human capital in Nigeria, Poor reward system retarding the acquisition and development of human capital (Happiness & Michael, 2014). Thus, the ability of the workforce to adapt the knowledge and skills acquired to their organizational operation depends on method of human capital development involved by managers at various levels. Training and development is therefore a key element for improved organizational performance, it increases the level of individual and organizational competences. It helps to reconcile the gap between what should happen and what is happening – between desired targets or standards and actual levels of work performance. Thus the study focuses on the effect of human capital development on the financial performance of quoted banks in Nigeria.

Objective of the Study

The main objective of this study is to determine the effect of Human capital development on the financial performance

of banks in Nigeria.

The following are the specific objective:

1. To determine if there is a significant relationship between human capital development and earnings per share (EPS) of banks in Nigeria.
2. To determine if there is a significant relationship between human capital development and net profit margin (NPM) of Banks in Nigeria .
3. To determine if there is a significant relationship between human capital development and return on asset (ROA) of banks in Nigeria.
4. To determine if there is a significant relationship between human capital development and return on equity (ROE) of banks in Nigeria.

Research Hypotheses

The following hypotheses were formulated to guide the study

1. H₀: There is no significant relationship between human capital development and earnings per share (EPS) of Banks in Nigeria.
2. H₀: There is no significant relationship between human capital development and net profit margin (NPM) of Banks in Nigeria.
3. H₀: There is no significant relationship between human capital development and return on asset (ROA) of Banks in Nigeria.
4. H₀: There is no significant relationship between human capital development and return on equity (ROE) of Banks in Nigeria.

Conceptual Review

Concept of Human Capital

The concept of human capital refers to the abilities and skills of human resources of a country, (Yetude & Ola, 2011). The concept of human capital also refers to the acquired and useful abilities of all the inhabitants or members of the society (Folloni & Vittadini, 2010 as cited in Oluwatobi & Ogunrinola, 2011).

In another perspective, human capital, as the name suggests, represents the productive capacity of the people. Just like land or machinery, workers are an essential requirement for production, as such, human capital denotes the skill of the labour force, how well and efficiently workers can transform raw materials and capital into goods and services. Human capitals are all embracing, that is, it is inclusive of persons who works now, or are likely to be productively employed sooner or later. It is a continuum, a continuing process from childhood to old age, and a must for any society or enterprise that wishes to survive under the complex challenges of a dynamic world.

Yesufu (2000), in agreement with this view, opines that “the essence of human resources development becomes one of ensuring that the workforce is continuously adapted for, and upgraded to meet the new challenges of its total environment”. This implies that those already on the job require retraining, reorientation or adaptation to meet the new challenges. This special human capacity can be acquired and developed through education, training, health, promotion, as well as investment in all social services that influence man’s productive capacities (Adamu, 2003).

Concept of Human Resource Management

Human resource management is a discipline, a professional specialization that has developed in recent years as a broad spectrum, encompassing various field incorporated and synthesis with certain element of personnel, organizational behavior, industrial and labour relationship.

According to Dressler (2007), Human resource management refers to the policies and practices involved in carrying out the human resources aspect of management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development and labor relations.

Human resource management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration and training (Susan, 2012, as cited in Okoye & Ejeiofor, 2013). Human resource management is also a strategic and comprehensive approach to managing people and the work place, culture and environment.

Effective Human resource management enables employees to contribute effectively and productively to the overall company direction and the accomplishment of the organization’s goal and objectives (Okoye & Ejeiofor, 2013). The critical nature of human resources in an organization as a factor of success or failure of management is put by Lickert (2005), as all the activities of any enterprise are initiated and determines by persons who make up the institution, plant, offices.

Human resource management is composed of the policies, practices and system that influence employee’s behavior, attitude and performance. Of all the task of management, managing the human component is the central and most important task.

Training and Human Resource Development Programmes

According to Thaker (2008), “training is an organized procedure by which people learn knowledge and skills for a definite purpose”. Tim and Brinkerhoff (2008) insist that human capital development represents the planned opportunity that is provided for training, education directed and planned experiences, and guided growth.

Training and development programmes can be divided into the following;

- (1) Academic training
- (2) On-the-job skills.
- (3) Off-the-job training
- (4) Professional training

On-the-Job Training

This is a widely accepted method of developing workers used by most organizations. According to Obisi (1996), “old and experienced workmen perform much better in any organization when they undergo training and manpower development through on-the-job training programmes”. The advantage of this method is that it creates good working relationship because employees get to know each other better as well as the working environment. On the other hand, this method is disadvantageous in the sense that it could result to unorganized supervision, monotonous work and also using unqualified personnel for supervision when the qualified are undergoing the training. it includes ; Job rotation method, Committee Assignment, Temporary position, Programmed instruction, Simulation exercise method Etc

Off the Job Development Programmes

off the job training method are conducted in a place separate from the job environment , study material is supplied , there is full concentration on learning rather than performing and there is freedom of expression . This occurs when employees are taken away from their place of work to be trained. Off the job development techniques are equally also important while ones efficiency in higher level of organization is to be achieved(. Sowunmi, Eleyowo, Salako & Oketokun 2015). Examples include ; Classroom lectures method, Transactional analysis, E- training method, Out ward bound training method, Apprenticeship training method, Work shadowing method, Vestibule training method etc

The Nigerian Banking Industry

The Nigerian banking system has gone through process of development from the late19th century with expatriate banks forming the crop of banks to when indigenous banks started springing up. The deregulation and liberalization of the licensing of banks by December 1991 opened up the market to private participant. However, during the period of 1990 to 1994, the upheavals in the system, coupled with low capacity utilization in the industrial sector and the general economic recession and downturn, led to market and fortunes of banks to be depleted. The macro-economic policy reversal by the Federal Government of Nigeria through the 1994 Fiscal Budget worsened the already weak position of the banks, this led to the distressed of about 33% of the banks in 1994 (Yusuf, 2011).

To save the situation, the CBN brought about a process of financial reform, restructuring and rationalization of banking institution, this brought the number of licensed banks to 111 by the end of 1997. With further amendments to the Central Bank Act and Banks and Other Financial Institutions Act in 1999, the CBN became better positioned to enhance the safety and soundness of the financial sector. The effectiveness of monetary and banking policies which, hitherto, had been constrained by the distress in the system, was assured. In order to ensure an adequate capital base for new banks, the minimum paid-up capital requirement was increased from N500 million to N1 billion. As a result of the re-capitalization measures of the CBN most merchant banks converted to commercial banks. However, with the introduction of Universal Banking in 2001 where a single bank becomes a “multiple chain store” for financial services many banks now operates as Universal banks.

The year 2005 became another significant year in the history of the Nigerian banking sector of the economy and the financial industry in particular. This year saw the implementation of yet another re-capitalization of commercial banks from N2billion to N25billion (Soludo, 2007 as cited in Sowunmi, Eleyowo, Salako & Oketokun, 2015). The process brought about the reduction in the number of licensed banks from 89 to 25 as at January 1, 2006. This is as a result of the mergers and acquisition of some banks by bigger ones or absorption by their parent companies. Licensed banks in the country were later reduced to 24 with the merger of IBTC Chartered and Stanbic to form what is now Stanbic IBTC. In the period before the advent of New Generation banks the then big three (Union Bank, First Bank and UBA) sees bank employee as an apprenticeship where people with as low as primary school certificate are employed. This practice was checkmated with the coming of new generation banks that see the business of banking as a professional one, the employment of highly skilled individuals as bankers. Even more is their incentives that have resulted in the marketing of bank product and services which was hitherto not in existence. The drive by this new generation banks brought about aggressive marketing which led to the reduction in market shares of the big three except for First Bank, the big three lost their position to the new generation banks.

Today with the acquisition of intercontinental bank by access bank, oceanic bank by eco bank, main street bank by skye bank and enterprise bank by heritage bank , there are 21 banks operating within the country ,18 commercial banks and three merchant banks , out of the 18 commercial Bank, 15 are quoted and their shares are actively traded on the floors of the Nigeria stock exchange. Three out of these commercial bank are privately held; namely heritage bank, citi bank and standard chartered bank . The three merchant banks currently operating in Nigeria since the reintroduction of merchant banking in the year 2010 includes FSDH merchant bank, Rand merchant bank and Coronation merchant bank. Listed below are the fifteen (15) quoted commercial banks in Nigeria

- 1) Access Bank
- 2) Diamond Bank
- 3) Eco Bank

- 4) FBN Holding PLC
- 5) FCMB PLC
- 6) Fidelity Bank PLC
- 7) Guaranty Trust Bank
- 8) Skye Bank
- 9) Sterling Bank
- 10) UBA PLC
- 11) Union Bank PLC
- 12) Unity Bank
- 13) WEMA Bank PLC
- 14) Zenith Bank
- 15) Stanbic IBTC Holding PLC

Also quoted in the same banking subsectors are some microfinance and mortgage banks such as NPF Microfinance Bank, Fortis Microfinance and Infinity Trust Mortgage Bank.

Financial Performance in the Banking Industry

According to Prosvirkina (2014), banking industry consists of different types of banks, including investment banks, corporate banks, retail and universal banks. Each type of banks has its specificity and there can be different approaches to analysis of financial performance of all types of banks.

Profit is the ultimate goal of commercial banks, all the strategies designed and activities performed thereof are meant to realize this grand objective. However, this does not mean that commercial banks have no other goals. Commercial banks could also have additional social and economic goal (Ongore & Kusa, 2013).

Financial performance of commercial banks, for example, can be assessed based on the amount of deposits, credits and profitability, other indicators in banking industry are net profit, market value, share price and earnings per share. The mostly commonly used financial performance indicators are; Return on equity, Return on assets, Net profit margin, Productivity or profit per employee. Besides, return on investment (ROI), earnings per share (EPS) and net income after tax (NIAT) can also be used as measures of financial performance (Grossman, 2000).

According to Wright, Gardner, Moynihan and Allen (2005) researchers also tend to benchmark managerial accounting indicators against the financial measures in six dimensions; „workers compensation“ (workers' compensation expenses divided by sales); „quality“ (number of errors in production); „shrinkage“ (e.g., inventory loss, defects, sales return); „productivity“ (payroll expenses divided by output); „operating expenses“ (total operating expenses divided by sales). On the other hand, firm performance can also be measured using „perceived performance approach“ (also referred to as subjective performance measure) where Likert-like scaling is used to measure firm performance from the top management perspectives (Selvarajan, Ramamoorthy, Flood, Guthrie, McCurtain & Liu 2007).

A bank that is performance-focused must see its staff as partners in an organizational process aimed at baking a bigger cake for all stakeholders. Thus, it must necessarily provide a skill-mix that rejuvenates its workforce and guarantees the retention of institutional memory for sustained performance. This can be achieved through excellent staff training and development attained through well-focused training modules where staff across the cadres are exposed to external training (both local and overseas) as well as in-house modular training programmes .

In the same vein, sound health is vital to organizational survival as this conforms to the saying “health is wealth”. Thus, health is one of the key determinants of organizational performance, considered at micro level. According to Bloom and Canning (2003 as cited in Oyinlola & Adeyemi, 2014), health is both a direct component of human well-being and a form of human capital that increases an individual's capabilities. At the macroeconomic level, it seems that a strong link between health and economic growth has been demonstrated by wakeel and Alani (2012). According to them, sound health enhances workers productivity through the spill-over effects on their physical and mental abilities, and that this condition holds irrespective of whether the worker is skilled or unskilled.

Theoretical Framework

The concept of human capital development can be discussed within the framework of three underlying theories; human capital theory, modernization theory, and value-added intellectual coefficient theory.

Human Capital Theory:

The classical economists propounded that land, capital and labour are the basic factors of production, with labour being the term used for humans. This qualifies humans as a resource, that is, „principal“ source of wealth or income of a country or institution (Chambers, 1996). Harbison (1973, as cited in Sowunmi, Eleyowo, Salako & Oketokun, 2015) , summarized the claims of this theory that human resources, not capital, income or material resources – constitute the ultimate basis for the wealth of nations.

Thus while not denying the importance of other resources in the productive process; Human Capital theory assumes that human beings are the most important assets of a nation or organization. Man, potentially possesses limitless skill, knowledge and capabilities that can be developed, harnessed and managed to ensure national, sectoral or organizational survival and progress.

Human capital theory rests on the assumption that formal education is highly instrumental and even necessary to improve the production capacity of a population. In short, the human capital theorists argue that an educated population is a productive population (Aliyu, Suhail & Suriyani, 2014).

Human Capital Theory shows how education leads to increase in performance and efficiency of workers by increasing the level of their cognitive skills. Theodore, Schultz, Gory Buckner and Jacob Mincer introduced the notion that people invest in education so as to increase their stock of human capabilities which can be formed by combining innate abilities with investment in human beings (Babalola, 2003). Examples of such investments include expenditure on education, on-the-job training, health, and nutrition etc. However, the stock of human capital increases in a period only when gross investment exceeds depreciation with the passage of time, with intense use or lack of use. The provision of education is seen as a productive investment in human capital, an investment which the proponents of human capital theory consider to be equally or even more equally worthwhile than that in physical capital.

The Modernization Theory

Historians have traced modernization theory's intellectual lineage back to Aristotle (Cullather, 2002). Modernization theory is rooted in the research work of McClelland (1961), a social psychologist who attempts to explain the differences between societies in social and technological advancement. This theory focuses on how education transforms an individual's value, belief and behavior. Exposure to modernization institutions such as schools, factories, and mass media inculcate modern values and attitudes. The attitude includes openness to new idea, independences from traditional authorities, willingness to plan and calculate further exigencies and growing sense of personal and social efficacy.

According to the modernization theorists, these normative and attitudinal changes continue throughout the life cycle, permanently altering the individual's relationship with the social structure. The greater the number of people exposed to modernization institutions, the greater the level of individual modernity attained by the society. Once a critical segment of a population changes in this way, the pace of society's modernization and economic development quickens. Thus, educational expansion through its effects on individual values and benefits sets in motion the necessary building blocks for a more productive workforce and a more sustained economic growth.

Value Added Intellectual Coefficient (VAIC™)

This theory developed by Public (1997), is also found appropriate for the study of human capital and performance. It meets the basic requirements of contemporary economy indicating the real value and performance of a company, this is because value added has been reputed as the preferred measure of the wealth created by activities of a company.

Pulic (1997) sees investment in human capital as the sum total of all expenditures incurred on the employees during the period, that is, the salaries and allowances. He also used Human Capital Efficiency to assess the efficiency achieved in the company from the investment in human capital. Human Capital Efficiency coefficient (HCE), is said to be measure by dividing Value Added by investment in human capital.

This work was anchored on Human capital theory because the theory assumes that human beings are the most important assets of a nation or organization because man potentially possesses limitless skill, knowledge and capabilities that can be developed, harnessed and managed to ensure national, sectoral or organizational survival and progress.

Empirical Review

Yusuf (2013), in his work "the relationship between human capital efficiency and financial performance: an empirical investigation of quoted Nigerian banks". Two hypotheses Human capital efficiency has no significant impact on the EPS of Nigerian banks and Human capital efficiency has no significant impact on the ROE of Nigerian banks were tested. Secondary data from annual reports of banks were used from 2006-2010. The study found that efficient utilisation of human capital does not have any significant impact on the return of equity of banks. Also the size of a bank has no significant impact on its return on equity, while the return on equity of banks cannot be predicted by human capital efficiency and size of the banks, but earnings per share (EPS) of the banks was found to be significant.

In the work of Danjuma and Ajike (2016), titled "Human Capital Efficiency and Corporate Performance: The Nigerian Perspective". The paper provides evidence of the impact of Human Capital Efficiency on Corporate Performance of industrial goods companies listed in the Nigerian Stock Exchange Market for a period of 6 years (2009-2014), the effect of Human Capital Efficiency on Performance was examined by applying the Human Capital component of the Value Added Intellectual Coefficient (VAIC) methodology. Multiple Linear regression models were used for analyzing the relationship between the variables of interest; Employees' growth (EG), Earnings per Share (EPS), Return on Assets (ROA), Human Capital Efficiency (HCE), lagged Human Capital Efficiency and Size of the firms. The finding survived a number of robustness check and the result indicates that there is positive significant relationship between Human Capital Efficiency on ROA and EPS, and an insignificant negative relationship between Human Capital Efficiency on Size, lagged Human Capital Efficiency and Number of Employee Growth. This study contributes to the existing Human Capital theories by revealing the Human Capital Efficiency of Industrial goods companies and its impact on Corporate Performance. The gap in this work was that the researcher did not show the data extracted from the individual industrial goods companies, he just showed data on the variable used for the study alone.

According to Yusuf (2011), in his work "impact of human capital investment on the performance of Nigeria banks". The study found that there is significant relationship between MPS and human capital investment; there is a significant relationship between BVS and human while there is no significant relation between EPS and human capital. The study also found that human capital investment has positive impact on the efficiency of banks' employee.

Prosvirkina (2014), in his study "human resources effectiveness in the Russian banking industry" The researcher made use of secondary data. Based on the data available in financial statements of banks, published by the Central Bank of the Russian Federation, several indicators were calculated, including return on investment in human capital (HCROI),

return on assets (ROA), return on equity (ROE) and productivity. The research has found statistically significant correlation between HCROI and all selected organizational performance indicators of banks in Russia. This empirical finding demonstrates that HR effectiveness influences the performance of banks in Russia.

Methodology

3.1 Research Design

The research was carried out using the ex-post facto research design technique. This type of study is similar to experimental study in the sense that it seeks to establish cause-effect relationship but differs from it in that the researcher usually has no control over the variable of interest and therefore cannot manipulate them (Onyeizugbe,2012). The ex-post facto design is a quasi – experimental study examining how an independent variable, present prior to the study in the participants, affects a dependent variable.

Population of the Study

The population of the study is the Nigerian banking industry. This includes all the 21 banks (eighteen(18) commercial banks and three(3) merchants banks , out of the eighteen(18) commercial banks ,three(3) are privately held) registered and quoted in Nigerian as at 2005, which was the year CBN introduced the mandatory N25Billion recapitalization requirement.

Sample and Sampling Technique

Sample refers to the selected members of the entire population in order to make inferences about the characteristics of the large population (Adefila, 2008). In this regard twelve (12) public quoted commercial banks were selected using judgmental and simple random sampling method to represent the sample size to be covered.

Procedure for Data Collection

Data were gotten from the Statement of Financial Position, Statement of Comprehensive Income and also from the Notes to the Accounts. The variables used for this research work were measured thus:

A) Human capital: Human capita return on investment (HCROI) was used as a proxy for measuring human capital, the formula is written as;

$$\frac{\text{Profit After Tax}}{\text{Personnel Cost}}$$

Human capita return on investment

B) Earnings per Share (EPS): figures of basic EPS were used, this was extracted from the statement of comprehensive income in the annual reports.

$$\frac{\text{Net profit attributable to shareholders}}{\text{Average outstanding common share}}$$

Earnings per share

C) Net profit margin = $\frac{\text{Profit After Tax}}{\text{Gross Income}}$

$$\frac{\text{Profit After Tax}}{\text{Total asset}}$$

D) Return on asset =

$$\frac{\text{Profit After Tax}}{\text{Shareholder equity}}$$

E) Return on equity =

These proxies were subjected to Simple Regression statistical techniques using SPSS version 20 software.

Procedure for Data Analysis and Model Specification

The dependent variable is the financial performance of banks in Nigerian, which comprises of performance indicators which includes earnings per share (EPS), net profit margin (NPM), return on asset (ROA), and return on equity (ROE). The independent variable is human capital (human capital return on investment (HCROI) was the proxy use for measuring human capital). The full specification of the regression equation is assumed to be;

EPS=β0 + β1HC+ εEQ 1

NPM=β0 + β1HC+ εEQ 2

ROA=β0 + β1HC+ εEQ 3

ROE=β0 + β1HC+ εEQ 4

where:

EPS= earnings per share

NPM= net profit margin

ROA= return on asset

ROE= return on equity

HC = human capital

β0= Constant

β_1 = Co-efficient of HC
 ϵ = Stochastic Error Term

Decision Rule: Accept null hypothesis if $F_{cal} < F_{tab}$ (critical value of F is higher than calculated F value) and reject null hypothesis and accept alternate hypothesis if $F_{cal} > F_{tab}$ (F calculated value is higher than critical value of F).

Data Analysis and Interpretation

4.2.1 Testing of Hypothesis I

H_0 : There is no significant relationship between human capital development and earnings per share (EPS) of Banks in Nigeria.

H_A : There is a significant relationship between human capital development and earnings per share (EPS) of Banks in Nigeria.

Table 4.1 EPS Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.083	.007	-.001	2.70493

Source: SPSS Version 20

Table 4.2 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	6.447	1	6.447	.881	.350
Residual	929.212	130	7.148		
Total	935.659	131			

Source: SPSS Version 20

Table 4.3 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.707	.269		2.625	.010
human capital	.125	.133	.083	.939	.350

Source: SPSS Version 20

The regression coefficient of human capital investment is 0.125. The correlation coefficient R, 0.083 shows low positive relationship and the adjusted R Square (R^2), -0.001 shows the predictability of the model. The Human capital investment was seen to have negative predictability in Earnings per share. No level of significance since $p = sig = 0.350 > 0.05$.

The regression model is restated as:

$$EPS = \beta_0 + \beta_1 HC + \epsilon$$

$$EPS = 0.707 + 0.125HC + 2.70493$$

Decision Rule: Accept null hypothesis if $F_{cal} < F_{tab}$ (critical value of F is higher than calculated F value) and reject null hypothesis and accept alternate hypothesis if $F_{cal} > F_{tab}$ (F calculated is greater than the critical value of F)

With F_{tab} at 3.94 at (1, 130) degree of freedom and F_{cal} at 0.881 showing $F_{tab} > F_{cal}$, we reject the alternate hypothesis and accept the null hypothesis that there is no significant relationship between human capital development and earnings per share of banks in Nigeria.

4.2.2 Testing of Hypothesis II

H_0 : There is no significant relationship between human capital development and Net profit margin share (NPM) of Banks in Nigeria.

H_A : There is a significant relationship between human capital development and Net profit margin (NPM) of Banks

in Nigeria.

Table 4.4 NPM Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.904	.818	.816	.13936

Source: SPSS Version 20

Table 4.5 ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	11.328	1	11.328	583.285	.000
Residual	2.525	130	.019		
Total	13.852	131			

Source: SPSS Version 20

Table 4.6 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.021	.014		-1.515	.132
human capital	.166	.007	.904	24.151	.000

Source: SPSS Version 20

The Model summary as shown in Table 4.4 indicates a positive relationship between Human Capital Development and Net Profit Margin of 0.904 as indicated by the R, which is the correlation coefficient of the two variables. The R-Square value (R²), 0.818 further revealed that Human Capital Development accounts for 81.8% contribution in Net Profit Margin of banks in Nigeria the Adjusted R square, 0.816 depicts that the model formulated has 81.6% predictability. The Regression coefficient table, Table 4.6 had the value of the beta coefficient in the regression equation as 0.166 and constant value of -0.021 at sig=p=.000. This also shows significance as sig=p=.000<.05 which is the level of significance adopted for this study.

The regression model restated is:

$$\begin{aligned} \text{NPM} &= \beta_0 + \beta_1 \text{HC} + \epsilon \\ \text{NPM} &= -0.021 + 0.166\text{HC} + 0.13936 \end{aligned}$$

Decision Rule: Accept null hypothesis if $F_{cal} < F_{tab}$ (critical value of F is higher than calculated F value) and reject null hypothesis and accept alternate hypothesis if $F_{cal} > F_{tab}$ (F calculated is greater than the critical value of F)

In order to make a decision as to the acceptance or rejection of the hypothesis, the F statistic value on the ANOVA table was used.

$F_{cal} = 583.285$; $F_{tab} = F(1,130) = 3.94$

$F_{cal} > F_{tab}$

Following the decision rule, we reject the null hypothesis and accept the alternate hypothesis that there is a significant relationship between human capital development and net profit margin of companies.

Testing of Hypothesis III

H₀: There is no significant relationship between human capital development and return on asset (ROA) of Banks in Nigeria

H_A: There is a significant relationship between human capital development and return on asset (ROA) of Banks in Nigeria

Table 4.7 ROA Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866	.750	.748	.02051

Source: SPSS Version 20

Table 4.8 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.164	1	.164	389.588	.000
	Residual	.055	130	.000		
Total		.219	131			

Source: SPSS Version 20

Table 4.9 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.003	.002		-1.635	.104
1 human capital	.020	.001	.866	19.738	.000

Source: SPSS Version 20

The results of the regression analysis on the effect of human capital investment on return on assets showed an effect of .020 in Table 4.9 and show that the F-ratio is 389.488 (p= sig= .000 which is less than 0.05). The result statistically supports the significance of the model. The model's explanatory power is relatively high with an adjusted R² measure of 0.748, which implies that the independent variable, human capital investment explain 74.8 percent of the variance in the dependent variable, return on assets.

The regression model restated is:

$$ROA = \beta_0 + \beta_1 HC + \epsilon$$

$$ROA = -0.003 + 0.020HC + 0.02051$$

Decision Rule: Accept null hypothesis if $F_{cal} < F_{tab}$ (critical value of F is higher than calculated F value) and reject null hypothesis and accept alternate hypothesis if $F_{cal} > F_{tab}$ (F calculated is greater than the critical value of F)

$F_{cal} = 389.488$; $F_{tab} = F(2,131) = 3.94$

$F_{cal} > F_{tab}$

Following the decision rule, we reject the null hypothesis and accept the alternate hypothesis that human capital investment has significant positive effect on return on assets of companies.

Testing of Hypothesis IV

H₀: There is no significant relationship between human capital development and return on equity (ROE) of Banks in Nigeria

H_A: There is a significant relationship between human capital development and return on equity (ROE) of Banks in Nigeria

Table 4.10 ROE Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.340	.115	.109	.43371

Source: SPSS Version 20

Table 4.11 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.191	1	3.191	16.963	.000
	Residual	24.453	130	.188		
Total		27.644	131			

Source: SPSS Version 20

Table 4.12 Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.026	.043		.603	.547
1 human capital	.088	.021	.340	4.119	.000

Source: SPSS Version 20

The Model summary as shown in Table 4.10 indicates a positive relationship between Human Capital Investment and return on equity of 0.340 as indicated by the R, which is the correlation coefficient of the two variables. The R Square value (R^2), 0.115 further revealed that Human Capital Investment accounts for 11.5% contribution in the variation in Return on Equity of banks in Nigeria. The Adjusted R square, 0.109 depicts that the model formulated has 10.9% predictability. The Regression coefficient table, Table 4.12 had the value of the beta coefficient in the regression equation as 0.088 and constant value of 0.026 at $\text{sig}=\text{p}=.000$. This also shows significance as $\text{sig}=\text{p}=.000<.05$ which is the level of significance adopted for this study.

The regression model restated is:

$$\text{ROE}=\beta_0 + \beta_1\text{HC}+ \epsilon$$

$$\text{ROE}= 0.026 + 0.088\text{HC} + 0.43371$$

Decision rule:

Accept null hypothesis if $F_{\text{cal}} < F_{\text{tab}}$ (critical value of F is higher than calculated F value) and reject null hypothesis and accept alternate hypothesis if $F_{\text{cal}} > F_{\text{tab}}$ (F calculated is greater than the critical value of F at (1,130) degree of freedom).

In order to make a decision as to the acceptance or rejection of the hypothesis, the F statistic value on the ANOVA table was used.

$$F_{\text{cal}}= 583.285; F_{\text{tab}}= F(1,130)= 3.94$$

 $F_{\text{cal}} > F_{\text{tab}}$

Following the decision rule, we reject the null hypothesis and accept the alternate hypothesis that there is a significant relationship between human capital development and return on equity of banks in Nigeria. This implies that human capital investment has significant positive effect on return on equity of companies.

Discussion of Findings

The purpose of this study was to examine whether there exist a significant relationship between human capital development as the independent variable and earnings per share, net profit margin, return on asset and return on equity of banks in Nigeria, as the respective dependent variables. From the statistical result, it was discovered that human resource development does not significantly affect the earning per share of banks in Nigeria, the work of Yusuf (2011) supported this fact, however this was contrary to the works of Danjuma and Ajike (2016) and Yusuf (2013), that says that there was a positive relationship between human capital and earnings per share in Nigerian banking and industrial goods sector.

Results also show that net profit margin, return on asset and return on equity of Nigeria banks has a positive significant relationship with the human capital variables of these banks, this was in line with the work of Prosvirkina (2014), Sowunmi et al. (2015) and Perera and Thrikawala (2012) that found a statistically significant correlation between human capital return on investment and selected performance indicators, our finding was not consistent with the study of Yusuf (2013) who concluded that efficient utilization of Human Capital does not have any significant impact on the Return of Equity of banks and that the impact of Human Capital Efficiency on the Earnings per Share of the banks exist although not significant. He also provided evidence that showed that efficient utilization of Human Capital and the size of the bank have significant impact on the Earnings per Share of the banks. This empirical finding demonstrates that Human Resource effectiveness influences the performance of banks.

Conclusion

This study focus on the relationship between human capital development and the financial performance of banks in Nigeria. The concept of human capital has gained a tremendous attention in today's banking industry. Bankers has seen and identified the need for proactive human capital development practices.

In today's bank everyone is involved in development and no stigma is attached to any human capital development activities that could lead to increase performance at all levels of their operation.

From the review of related literature and research findings obtained in this study, it has been established that expenditure on human resources development (in-service training) has a positive causal relationship on the performance of commercial banks in Nigeria, also that motivational tool (increased salary, bonus, health care, compensations), training etc, makes workers to be more effective in their various job. It is no longer necessary to lay undue emphasis on what effective human resources development can do to any organization that imbibes the practice.

Recommendations

Based on the findings of this research, this study recommends that:

1. Banks should send their employees for training, not only on the job training in order to improve their performance. Educational qualifications, more especially of tertiary qualifications should be a pre-requisite for recruitment, dilution, placement, promotion appraisal and lay off of workers. The management of the banking institution should continue to ensure that the recruitment and selection process is, and seen to be fair. There should be measures that will ensure that all recruitment and selection practices adhere to the standards and policies of the organization, since effective recruitment and selection practices will ensure positive financial returns for the company, either through ensuring effectiveness on the part of employees, or minimization of costs associated with training and retraining of employees. This means that the company under study should adjust their work/responsibility by engaging more qualified staffs and ensuring that the working environment is conducive for them, so as to help utilize other resources well for their effective performance.
2. Efforts should be geared by the government towards improving the standard of education and provision of adequate infrastructures in Nigeria, also Substantial amount of government budgetary allocation should be directed towards the educational sector. There should be establishments of special agencies with the responsibility of improving the skills and capabilities of human capital.

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