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THE NEXUS BETWEEN HUMAN RESOURCE ACCOUNTING AND FINANCIAL PERFORMANCE: EVIDENCE FROM QUOTED INSURANCE COMPANIES IN NIGERIA

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ABSTRACT: *This study empirically examined the nexus between human resource accounting and the financial performance of listed insurance companies in Nigeria. The research adopted an ex-post facto and descriptive design, relying on historical financial data drawn from annual reports of ten (10) selected insurance companies quoted on the Nigerian Exchange Group for the period 2020-2024. A judgmental sampling technique was employed, while both descriptive and inferential statistics were used to analyze the data. Specifically, the study utilized panel regression analysis, supported by pre- and post-estimation tests such as unit root, normality, and stability checks, with computations carried out using E-Views 10 software. The findings reveal that staff training and development costs have a significant positive effect on the net profit margin of Nigerian insurance firms, highlighting the critical role of capacity building in enhancing profitability. Conversely, gratuity payments exert a significant negative effect on profitability, underscoring the financial burden of long-term employee benefit obligations on insurers. Salaries and wages, though negatively related to profitability, showed no statistically significant effect, suggesting that wage bills alone do not determine financial outcomes. The study concludes that human resource accounting plays a vital role in strengthening the performance of insurance firms in Nigeria, where competitiveness largely depends on the quality and productivity of human capital. It recommends that insurance companies intensify investment in staff training to enhance efficiency and innovation, maintain fair compensation practices to promote retention, and adopt prudent strategies for managing gratuity obligations to ensure sustainable profitability.*

KEYWORDS: Salaries and Wages, Staff Training, Accounting, Financial Performance.

INTRODUCTION

The insurance industry plays a major role in society as it stimulates the economy at large. This is because the sector is part of the immune and repair system of an economy, and the successful operation of the industry can set energy for other industries and the development of an economy (Ibegbulem, 2021). Indeed, a well-developed and evolved insurance industry is critical to conditions for economic development as it provides long-term funds for long-term investment and at the same time strengthens the risk-taking ability of the country (Dadhich, 2022).

Nwatu and Idoko (2020) described human resource accounting as accounting for human asset-related costs against traditional accounting, which merely expenses such costs and reduces profits, which, to the mind sub sub-optimizes financial reporting. According to Buoye (2021), human resource accounting involves accounting for expenditure relating to human beings in an organization. All organizational resources must be assembled in order to achieve the organizational set goals and objectives. The assembling begins and ends with human beings. It is a widely accepted fact that the success of any organization, business, or otherwise, to a great extent, depends upon the quality, caliber, and character of the people working in it. An organization having vast physical resources, with the latest technology, may find itself amid a severe financial crisis if it does not have the right people to manage and conduct its affairs.

The application of human resource accounting varies across organizations and countries (Ovedje & Iserien, 2021) so much so that while some organizations adopt a valuation method suitable for the measurement of their human resources and report such information as additional information or provide supplementary statements in the annual reports, others measure and report some of their intangibles such as human resources and intellectual capital according to specific models.

Bankole (2020) carried out a study on human resource costs on the financial performance of a Nigerian consumer goods company. Salary and Wages, Director's Emoluments, Pension Cost, and Gratuity cost were used as measures of human resource cost. Also, return on assets (ROA) was regarded as a measure of companies' financial performance to reveal the connection between investment in human resources and the financial performance of Nigerian consumer goods companies. The result of the study showed that the predictors pension cost (PEC), director's emolument (DCM), and gratuity cost (GRT) exert a positive and statistically significant impact on ROA. Furthermore, Adewoye *et al.* (2023) examine the effect of HRA acquisition costs, which include recruitment, selection, and placement costs, on performance. Also, Adu and Olomola (2024) examined the effect of human resource accounting. And on the financial performance of Deposit Money Banks (DMBs)in Nigeria. This study, therefore, concluded that human resource accounting improved the financial performance of deposit money banks. While Virginus et al. (2023) observed that the success of any organization depends on the ability of the human capital to effectively and efficiently optimize other resources such as land, equipment, and money, hence human resources are the greatest assets at the disposal of businesses.

Despite the crucial role of insurance companies in promoting financial stability, mobilizing savings, and supporting economic growth, the Nigerian insurance industry has continued to record poor financial performance largely due to persistent challenges such as non-payment of claims, loss of public confidence, and weak profitability compared to other financial institutions. For instance, Ja'afar et al. (2022) reported that the tradition of defaulting on claims

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has eroded public trust in Nigerian insurers, thereby weakening their profitability. Similarly, Ofor et al. (2022) and Reason & Imo (2023) found that poor management of intellectual capital negatively impacts firms' financial performance, indicating the need to reassess intangible assets, including human capital.While human resources constitute a vital asset in enhancing organizational performance, limited empirical studies in Nigeria particularly within the insurance sector have explored how specific human resource accounting components, such as staff training and development, salaries and wages, and gratuity, influence financial performance. For example, Onyekwelu et al. (2021) examined human resource accounting and financial performance of quoted insurance companies in Nigeria but limited their analysis to disclosure, training cost, and staff numbers, while Anuonye (2016) focused on relational, structural, and human capital without considering salaries, wages, or gratuity. In a broader study, Atoyebi et al. (2021) found that increased investment in human resources significantly improved organizational efficiency among Nigerian firms, highlighting the potential contribution of human resource accounting to profitability. However, such variables remain underexplored in the insurance sector, creating a clear content and scope gap. This study therefore seeks to determine whether costs associated with training and development, salaries and wages, and gratuity have significant effects on the financial performance of quoted insurance companies in Nigeria.

Conceptual Clarification

Human Resource Accounting

There are different definitions of Human Resource Accounting, as well as human resources and accounting practitioners and scholars. Hence, HRA does not have a unique definition due to the fact that different scholars and practitioners describe the concept on the basis of their understanding. For instance, Human Resource Accounting (HRA) is described by Sari *et al. (*2023) as the art of assigning and attributing costs to every element of human resources expenses made in an organization and recording such into appropriate books of account of the enterprise. Adegbayibi *et al.* (2024) describe HRA as entails ascribing, making a budget for, and adequate reporting of expenditures incurred on workers in an organization. Mohammed (2021) explained that the concept of human resource accounting comprises the art of valuing, recording and presenting the value of human resources in the account of an organization in a systematic manner. This definition stipulates three features of human resource accounting as the valuation of human resources, recording the valuation in the relevant accounting books, and the disclosure of financials in the corporate financial report. Human Resource Accounting refers to the modern way of perceiving employees; It`s an accounting system, a method, and a technique that is channeled at recognizing the knowledge and abilities of employees in organizations by quantifying their values and financial equivalence towards achieving complete asset reporting useful for decision makers (Akinlade & Adegbie, 2020)

According to Akintoye *et al.* (2018), human resource accounting, also termed accounting for human resources entails accounting for the fund incurred on human resources as assets instead of upholding traditional accounting means of treating human resources as expenses. The treatment of the funds expended on human resources as expenses led to a reduction in profit of the organization. Onyeukwu *et al.* (2021) described HRA as the accounting for investment in

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the personnel of a corporation with a view to maximizing the shareholders' value and attaining corporate goals.

Dimensions of Human Resource Accounting

Staff Training and Development

The cost of training is the amount of money an employer spends to equip their employees with the necessary skills and knowledge, which they can use to perform their tasks well. Typically, employees allocate different budgets to training new and existing employees. Offering on-the-job training to new hires helps companies make sure staff know how to do their job and set clear performance expectations (Taibat *et al.* 2024). Through training current staff, organisations can increase employee retention and support their members by investing in their professional development. The training aspect can be acquired through employer-sponsored training, self-sponsored training, or training acquired through individual experience (Georgiev, 2020). Employers fully or partially fund the training of workers in the hope of gaining a return on this investment in terms of being a more productive, more competitive, and consequently more profitable firm in the future.

Salaries and Wages

Salaries and wages are components of remuneration paid to workers in any organization. It is the compensation given to organizational people for providing their mental and physical efforts and skills to the organization for productive purposes (Odewusi and Olalere, 2024). Salaries are a fixed amount given to workers every month as compensation for their services. This amount is usually paid to permanent workers and professional workers in any business entity. However, organizations may have temporary or contract staff; this set of workers is usually paid daily or weekly stipends called wages (Havez, 2025). Scott (2024) opines that salaries and wages expense encompasses the total amount of compensation paid to employees during a specific accounting period. This expense is typically one of the largest operating expenses for most businesses and plays a significant role in determining profitability

Salary and wage expenses play a pivotal role in effective financial management and reporting for businesses. This crucial aspect of accounting significantly impacts a company's bottom line and tax obligations, making it essential for business owners to understand it thoroughly. A study carried out by Ohaka et al. (2019) on the impact of human resource cost on financial performance shows that wages and salary costs have a significant impact on the financial performance of quoted manufacturing firms in Nigeria. Also, Craig et al. (2020) investigated the employee remuneration and the performance of selected manufacturing firms in Nigeria. The result also shows that staff salaries have a significant effect on profit after tax.

Gratuity

Retired employees of organizations are paid retirement benefits in the form of gratuities, and this forms part of the responsibilities of employers (Okolie & Idibra, 2022). The retirement benefits are usually paid in one lump sum at the point of exiting from the company. This is to assist the employees in alleviating the effects of discontinuity of the regular income of the employee. According to Mansour and Zolt (2023), gratuity could not reduce the outcome of salary discontinuity, leading to the devising of additional benefits of retirement, which is known as a pension. The series of regular monetary payments to a retiree from employment

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due to age, completion of an agreed period, or disability (Parker, 2022). In Jiboku et al. (2021), 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 a pension or gratuity. The coverage of the defined Contributory Pension scheme in the private sector is to include entities with more than two employees, in agreement with the plan to include the participation of the informal sector. According to Mutale (2023), the main goal of the Pension Scheme is to ensure that the lives of retirees after active service are not in danger because of constraints in finance

Concept of Financial Performance

A firm's financial performance refers to a firm's ability to generate new resources from day-to-day operations over a given period. It involves enhancing shareholders' wealth and profit-making making which are among the major objectives of a firm. Performance is the result of an activity. Hence whether such activity/s were laid in hours of intense practice before a concert or race or whether it is carrying out job responsibilities as efficiently and effectively as possible, performance is what results from all such activities. Generally, performance could be regarded as one of the keys determining factor that have been widely used in measuring success or failure of an organization (Ovedje & Iserien 2021).

Mutale (2023) defined performance as an organization's ability to exploit access and employ its environment's limited resources. Firm performance is categorized into two: namely financial performance and strategic performance. The financial performance covers profitability performance, market value performance, and growth performance, but strategic performance includes employees' satisfaction, customers' satisfaction, environmental performance, environmental audit performance, and social performance. It has also been the primary concern of business practitioners (managers and entrepreneurs in all types of organizations because corporate performance is essential, as exemplified in high-performance organizations, which are success stories because of their perceived effectiveness and efficiency in managing their operations and their positive contributions to the well-being of their stakeholders.

Various indicators have been used by scholars to measure the financial performance of firms. The various ways of measuring company's financial performance are reflected in the company's ratios of return on investment (ROI), return on assets (ROA), return on equity (ROE), value added, profit before tax (PBT), among others which measure whether the owners' objectives are being met; the objectives of increasing shareholders' wealth through investing in business. Therefore, financial performance is a general measure of a firm's overall financial health over a given period, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. A study by Lalisho and Sintayehu (2020) used operating profit margin to measure the financial performance of firms within the brewery sector.

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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 a measures of a firm’s financial performance.

Net Profit Margin

It is the percentage of revenue remaining, after all, operating expenses, interest, taxes, and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue (Yisa, 2019). According to Mareta et al. (2022) Net profit margin (NPM) ratio shows the relation between net sales and net profit. NPM is achieved by dividing Net income by total revenue. Net profit margin ratio is computed to determine the efficiency of organization's business. A higher ratio implies a better operational efficiency of the organization (Mareta et al. 2022)

The formula for net profit margin is:

Net Profit Margin = Net Profit/Total Revenue

By dividing net profit by total revenue, we can see what percentage of revenue made it all the way to the bottom line, which is good for investors. However, the Net profit margin is one of the most closely followed numbers in finance. Shareholders look at net profit margin closely because it shows how good a company is at converting revenue into profits available for shareholders (Yisa, 2019).

THEORETICAL REVIEW

The Resource-Based Theory

The resource-based theory was formulated by Wernerfelt (1984). Resource-based theory assumes that human resources cannot be substituted or imitated. Human resources, therefore, present an opportunity for a firm to gain a competitive advantage over other firms in the same industry over a period. Furthermore, the resource-based theory indicated that human resource provides a source of sustained competitive advantage, which consists of four basic requirements of value, rarity, imitability and organization that must be present for operational efficiency and maximization of the value of an organization. Therefore, for human resources to propel a sustained competitive advantage, it should create value and be rare. Also, it must be difficult to imitate, and the organization needs to fashion an enabling environment for better exposure of their potential. This study is, therefore, grounded in the resource-based theory because all the human resource characteristics of value, the imitable, rareness, and organization considered in the theory directly or indirectly affect human resources performance. This could influence the operational efficiency of disruptive technologies.

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Review of Empirical Literature

Adu & Olomola (2024) examined the effect of human resource accounting) and on the financial performance of Deposit Money Banks (DMBs)in Nigeria. Other objectives of the study were to determine the influence of HRA on capital employed and to appraise the influence of HRA on return on capital employed. Secondary source of data was adopted for this study, and ten quoted deposit money banks were selected through a random sampling technique, while the data were analyzed using the regression analytical method. It was found that salaries and wages, training, health, and safety had a significant positive influence on capital employed of deposit money banks in Nigeria, and salaries and wages, training, health, and safety had a significant positive influence on return on capital employed. This study, therefore, concluded that human resource accounting improved the financial performance of deposit money banks. The study suggested that the management of deposit money banks improve the general welfare of their employees through improved salaries and wages, better training, and enhanced health and safety in order to improve their financial performance.

Adewoye and Tella (2024) investigate the impact of human resource accounting information systems (HRAIS) on employee commitment and social capital performance among public service employees in Osun State. This study, therefore, examined the effect of HRA-maintenance costs` automation on the commitment of employees to work and also evaluated the impact of automated HRA-maintenance costs on social capital among employees. Primary was used for the study. Simple random and purposive sampling were used to select two hundred (200) respondents. Ordinary Least Squares Regression analysis (OLS) was used to analyze the effect of maintenance cost automation on employee and social capital performance. The result revealed that the automated maintenance costs (Serving Employees) significantly impact employee commitment and social capital. Also, the result revealed that the automated maintenance costs (Retired Employees) significantly affect employee commitment and social capital, which are used as the two operational indications of employee performance. The research concluded that HRAIS (Automated Maintenance Costs) has a positive and significant impact on employee performance. The study recommended that employers should invest more in human resource accounting information systems to enhance employee commitment and social capital and subsequently improve their employees' performance.

Taibat *et al.* (2024) assessed the impact of human capital expenditure on the financial performance of listed insurance companies in Nigeria. The population of the study consisted of twenty (23) insurance companies listed on the Nigerian Exchange Group, among which nine (9) companies were sampled for a period of ten (10) years from 2012 to 2021. Employee's Salaries and wages, Employee's Retirement Benefits, Employee's Training Costs, and Other Employee Benefits were adopted as proxies for human capital expenditure, while Profit Before Tax was adopted as a proxy for financial performance. Secondary data were collected from the sampled insurance companies' annual reports and accounts over the period of study. The Panel Least Squares analysis method was used to analyze the collected data. The findings of the study revealed that employees' salaries and wages and employees' retirement benefits have a significant positive impact, and employees' training costs and other employees' benefits have no significant impact on the financial performance of Insurance companies in Nigeria. The study, therefore, recommended that insurance companies in Nigeria should carefully consider and invest in competitive and fair compensation packages for their employees, prioritize and enhance their employee retirement benefit packages and evaluate the cost-effectiveness of

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additional benefits, and focus on other factors that more directly influence their financial performance.

Ilugbo *et al.* (2024) investigate the impact of Human Resource Accounting (HRA) on share price performance among listed insurance firms in Nigeria. Specifically, the study examines the effects of human capital efficiency, structural capital efficiency, capital employed efficiency, and the value-added intellectual capital coefficient (VAIC) on share price performance. This research adopts ex-post facto and descriptive research designs, utilizing data from 13 insurance firms listed on the Nigerian Exchange Group from 2012 to 2021. A random effect regression model was employed to address statistical issues, ensuring robust results, after controlling for multicollinearity and heteroscedasticity. The findings reveal that human capital efficiency and capital employed efficiency significantly enhance share price performance, highlighting the importance of these factors in driving market valuation. Conversely, VAIC shows a significant negative impact on share price performance, suggesting that not all aspects of intellectual capital positively influence market outcomes in the insurance sector. These results contribute to a deeper understanding of how human resource investments affect financial performance, particularly in the context of emerging markets like Nigeria. Based on these findings, this study recommends, among others, that insurance firms should prioritize investments in human capital development through targeted training and continuous professional development. This approach will enhance employee productivity and innovation, which in turn would positively influence share price performance and contribute to the overall financial health and market competitiveness of the firm.

Abraham and Imo (2023) investigated intellectual capital and financial performance using a causal study design. The study adopted an ex-post facto research design on a population of twenty-six (26) insurance companies listed on the Nigerian stock exchange. The census method was adopted to opt for all twenty-six (26) insurance companies. However, only thirteen (13) of the companies had complete data for the period under review (2012 to 2020). Therefore, the sample size of the study was thirteen (13). Given the period of nine (9) years (2012-2020), the study used 117 firm-year observations. The statistical model adopted in this study was: descriptive statistics and multiple regression technique for the analysis of data with the aid of Statistical Package for Social Science (SPSS). The study found that Human Capital Efficiency, Structural Capital Efficiency, and Capital Employed Efficiency have a minimal, significant, and positive effect on Return on Assets. The study concludes that all the indicators of intellectual capital show that there is no much significant effect on financial performance of insurance companies in Nigeria, and recommends amongst others that, the International Financial Reporting Committee (IFRC) to develop standard that will make intellectual capital reporting compulsory in the financial statement to enhance financial reporting quality and performance within the context of satisfying the information need of stakeholder.

Adewoye et al. (2023) investigated the impact of human resource accounting (HRA) on performance. The study also aims to examine the effect of HRA acquisition costs, which include recruitment, selection, and placement costs, on performance. To achieve this, the study analyzed the effect of recruitment costs on the performance of civil servants in Osun State, Nigeria. It also evaluated the effect of selection costs on performance and examined the impact of placement costs on the performance of the respondents. Primary and secondary data were used for the study. Simple random and purposive sampling were used to select three hundred (300) respondents. Ordinary Least Squares Regression analysis (OLS) was used to analyze the effect of each index of HRA-acquisition cost on organizational performance. The result

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revealed that selection cost has no significant effect on employee performance; recruitment cost does not have a significant effect on employee performance, while it was found that placement cost has a positive and significant effect on employee performance. Also, indices of acquisition costs collectively analyzed against employee performance revealed that acquisition costs have a positive and significant effect on employee commitment. The research concluded that HRA has a positive and significant impact on organizational performance. The study suggests that employers invest in their employees to improve performance.

Okafor *et al*. (2022) investigated expenditure in human resources and financial performance of quoted manufacturing companies in Nigeria. The study was an ex-post facto one. Causal comparative research was employed by the researcher. Expenditure on human resources is proxied by salary and wages allowance (SWA), other staff-related expenses (OSRE), and human resources efficiency (HRE), while financial performance is proxied by ROE and MVP. Secondary data were extracted from the published financial statements of the companies from 2010 to 2019. The population of the study was 52 quoted manufacturing companies in Nigeria. The researcher used regression analysis and panel data to analyze the data with the aid of SPSS. Findings revealed that expenditure in human resources among the quoted manufacturing companies in Nigeria is positively associated with their financial performance. It was recommended that manufacturing companies engage in other staff-related expenses as a strategy for attracting and retaining high high-quality workforce.

Osanyinbi and Oyekanmi (2022) examined human resource accounting and the management of human resources by financial technology (FINTECH) firms in Lagos state. The main objective of this study is to assess human resources accounting, while the specific objective is to evaluate the influence of human resources accounting on the management of disruptive technology by Fintech firms. The study adopted a survey design to gather data from the target population, which comprises employees in human resources and account/finance departments of a fintech company in the Lagos Central business district of Lagos State. Using purposive sampling, questionnaires were administered, and the data collected were analyzed using parametric and non – non-parametric tests. Findings show that there is a significant relationship between human resources accounting and management of disruptive technology in the fintech company. It, therefore, concludes that the financial statements of the fintech industry are incomplete without accounting for human resources as an asset. Also, human resources accounting would influence the management of disruptive technology in terms of planning for operational efficiency and effectiveness, as well as decision usefulness. It, therefore, recommends that accounting practitioners should engage the accounting standard setters to facilitate the development and usage of a standard on human resources accounting around the world.

Hatane et al. (2022) conducted an empirical investigation into the influence of intellectual capital disclosure, firm size, and leverage on firm value. The study focused on a sample of 36 Indonesian firms listed in the infrastructure, utility, and transportation sectors over the period from 2013 to 2017. Tobin's Q was employed as the metric for assessing firm value. The findings indicate that none of the intellectual capital disclosure components significantly affect firm value. Furthermore, the results demonstrate that an increasing interaction between intellectual capital disclosure and the time period is associated with a negative impact on firm value. The content analysis suggests that intellectual capital disclosure within annual reports does not fully capture the quality of intellectual capital practices. It is also noted that firms

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might utilize alternative information channels beyond annual reports to effectively communicate their intellectual capital performance.

Mukolo et al. (2022) examined the effect of Human Resource Accounting (HRA) on the financial performance (return on assets-ROA) of selected quoted Nigerian food and beverages firms. Four of these firms were sampled from 2006-2021. The research analyzed the data generated using the panel regression analysis through the instrumentality of Econometric Views. The study evidenced that staff training and development costs (STC) and welfare costs (EWC) improved firm performance significantly, but staff safety costs did not. However, hiring costs have a significantly negative effect on the ROA of the targeted firms in Nigeria during the study period. Hence, the paper concluded that human resource accounting is instrumental to higher firm performance. As such, the study recommends that management of selected firms should not see their staff training as a one-off thing; instead, they should conduct both off-the-job and on-the-job training regularly. Lastly, management of the targeted firms must ensure that their welfare package includes both monetary and non-monetary compensation.

Ovedje and Iserien (2021) investigate the effect of human resource accounting on financial performance by employing samples from listed manufacturing firms in Nigeria between the periods of 2011- 2020. Employee cost, employee size, and directors' remuneration are the Human Resource Accounting (HRA) proxies used in this study to assess the impact on financial performance in Nigeria. Return on Assets is the metric used to assess financial performance. Furthermore, in accordance with previous studies, the researchers used earnings per share as the control variable. Specifically, to examine the cause-and-effect relationships between the dependent variables and independent variables as well as to test the formulated hypotheses, the researchers used a robust regression analysis since our results reveal the presence of heteroscedasticity. The researchers conclude that only the variables of employee size and directors' remuneration significantly impact the financial performance of selected manufacturing firms in Nigeria. While employee size evidently increases the financial performance of the firms under study, it is observed that directors' remuneration tends to decrease the financial performance. Based on the findings of this study, the researchers carefully recommend that performance-based

METHODOLOGY

This study adopts an ex-post facto and descriptive research design to examine the effect of human resource accounting on the financial performance of quoted insurance companies in Nigeria. The population consists of sixteen (16) insurance firms listed on the Nigerian Exchange Group, from which ten (10) companies were purposively selected based on the availability of complete financial statements between 2020 and 2024. The study relies on secondary data extracted from the annual reports of the sampled firms. Human resource accounting (independent variable) is proxied by staff training and development cost, salaries and wages, and gratuity, while financial performance (dependent variable) is measured using net profit margin.

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Model Specification

The econometric model for this study, adopted from Shui et al. (2021), is modified to assess the impact of human capital accounting on share price performance with firm size as a control variable.

FP= f (HRA) ………………………………………………………………………(1)

ROA = f (TDC, SLW, GRT) …………………………………………..……..……(2)

The econometric model is presented as:

$ROAit = β0 + β_1 TDCit + β_2 SLWit + β_3GRTit + µit$……………………………….…….(3)

Where:

FP = Financial Performance measured by (ROA).

TDC = Training and development cost

SLW = Salary and Wages

GRT = Gratuity

it = Company i at time t

β0 = Constant intercept

β1- β4 = Coefficients of independent Variables

µ= Error term

Descriptive Analysis

Table 4.1 below presents the descriptive statistics, including the total number of observations, mean, maximum, minimum, and standard deviation for each of the variables used in the study.

Table 4.1: Descriptive Analysis

	NPM	TDC	SWC	GRT
Mean	-0.074614	49221.50	977809.5	35454.82
Median	0.103082	11479.00	688683.0	17163.00
Maximum	2.051477	330129.0	5029166.	196296.0
Minimum	-4.435849	0.000000	0.000000	-108.0000
Std. Dev.	0.960580	76722.21	1115655.	48278.59
Skewness	-3.294220	1.947735	1.793556	1.849927
Kurtosis	16.15131	6.596214	6.143996	6.029841
Jarque-Bera	450.7592	58.55716	46.45218	46.69058
Probability	0.000000	0.000000	0.000000	0.000000
Sum	-3.730711	2461075.	47912667	1737286.

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Sum Sq. Dev.	45.21296	2.88E+11	5.97E+13	1.12E+11
Observations	50	50	49	49

Source: *E-views Version 10*

Table 4.1 presents the descriptive statistics of the variables used in the study. The results show that the mean net profit margin (NPM) of the sampled insurance firms is –0.0746, indicating that, on average, the companies recorded a slight loss rather than a profit during the study period. The median value of 0.1031 suggests that half of the firms had a positive profit margin of about 10%, while the minimum value of –4.4358 implies that some firms made substantial losses. The maximum NPM of 2.0515 indicates that the best-performing firm achieved a profit margin above 200%. The relatively high standard deviation (0.9606) and the negative skewness (–3.29) show wide variations and a left-skewed distribution of profitability across firms.

The mean training and development cost (TDC) is about ₦49,221.50, suggesting that insurance firms spend modest amounts on staff training on average. However, the maximum of ₦330,129.00 compared to the minimum of ₦0.00 indicates that some companies invest heavily in training while others spend nothing at all. The high standard deviation (₦76,722.21) supports this variation. The distribution is positively skewed (1.95) with a kurtosis of 6.59, implying that a few firms spend extremely high amounts relative to the rest.

For salaries and wages cost (SWC), the mean is ₦977,809.50 with a median of ₦688,683.00, showing that, on average, the firms commit substantial resources to staff remuneration. The maximum SWC of ₦5,029,166.00 indicates a wide disparity compared to the minimum of ₦0.00. The large standard deviation (₦1,115,655.00) further confirms high variability in staff wage expenditures across the firms. The positive skewness (1.79) suggests that most firms pay relatively moderate salaries, while a few pay exceptionally high amounts.

The mean gratuity (GRT) is ₦35,454.82, with a median of ₦17,163.00, indicating that average gratuity payments are relatively small. The maximum gratuity of ₦196,296.00 versus a minimum of ₦108.00 suggests some firms incurred negligible or even negative gratuity obligations, while others paid considerably large amounts. The distribution is positively skewed (1.85) with high kurtosis (6.03).

Correlation Analysis

The correlation analysis is a statistical model that assesses the relationship between two or more variables. The correlation result is shown in Table 4.2 below.

Table 4.2 Correlation Analysis

Covariance Correlation	NPM	TDC	SWC	GRT
NPM	0.921704 1.000000			
TDC	9492.967 0.134038	5.44E+09 1.000000		

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SWC	140162.6 0.132216	5.12E+10 0.628663	1.22E+12 1.000000	
GRT	4733.264 0.103178	7.69E+08 0.218145	2.57E+10 0.487442	2.28E+09 1.000000

Source: *E-views Version 10*

Table 4.2 presents the correlation coefficients between the dependent variable, net profit margin (NPM), and the human resource accounting variables, training and development cost (TDC), salaries and wages cost (SWC), and gratuity (GRT).

The results show that training and development cost (TDC) has a weak positive correlation with NPM (r = 0.134). This suggests that, although training expenditure is associated with slight improvements in profitability, the strength of the relationship is very low.

Similarly, salaries and wages cost (SWC) is weakly and positively correlated with NPM (r = 0.132). This implies that firms paying higher wages and salaries may experience slightly better profitability, consistent with the notion that fair compensation can motivate employees and enhance productivity. However, the weak coefficient indicates that the relationship is not strong enough to conclude a substantial impact.

Finally, gratuity (GRT) also shows a weak positive relationship with NPM (r = 0.103). This indicates that gratuity payments are mildly associated with firm profitability, suggesting that long-term employee benefits may contribute only marginally to the financial outcomes of insurance companies.

Overall, the correlation analysis reveals that all the human resource accounting variables are positively related to profitability, but the weak nature of these correlations implies that the relationships are not statistically strong. Consequently, while the results provide preliminary evidence of an alignment between human resource investment and firm performance, regression analysis is necessary to establish whether these variables exert any significant causal influence on profitability

Unit Root Test

The unit root test is conducted to determine the stationarity of the data. The stationarity test is necessary to avoid spurious regression estimates. The summary panel unit root test result below shows the stationary result of each variable used in the study.

Table 4.3: Summary of Panel Unit Root Test Results

Variables	Levin, Lin & Chu t*	ADF - Fisher Chi-square	PP - Fisher Chi-square	Co-integration Integration	Remark
NPM	0.0000	0.0074	0.0001	I(0)	STATIONARY
TDC	0.0124	0.0113	0.0010	I(0)	STATIONARY
SWC	0.0000	0.0506	0.1000	I(0)	STATIONARY
GRT	0.0000	0.6599	0.0156	I(0)	STATIONARY

Source: *Authors' Compilation from E-views 10 software*

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The unit root test result above shows that all the variables in this study are stationary at levels (i.e., I(0)). This implies that the variables have no unit root.

Hauman Test

The Hausman test is described as a test for model misspecification. This helps to choose between the fixed effect model or the random effect model. The null hypothesis suggests that the random effect is more appropriate. We reject the null hypothesis if the p-value is less than the 5% level of significance.

Table 4.4: Hauman Test

Correlated Random Effects - Hausman Test
Equation: EQ01
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	3	0.0000

Source: *E-views Version 10*

Table 4.4 presents the result of the Hausman test for model selection between fixed effects and random effects. The result shows a Chi-square statistic of 0.0000 with a probability value of 0.0000, which is less than the 5% significance level. This indicates that we reject the null hypothesis that the random effects model is appropriate. Therefore, the fixed effects model is preferred for this study.

Test of Hypotheses

The model table below provides a detailed overview of the regression results, including coefficient estimates, statistical significance, goodness of fit, and information helping to assess the effect of human resource accounting (TDC, SWC, GRT) and financial performance (NPM) of quoted insurance companies in Nigeria. The study employed the fixed-effect panel regression model.

Table 4.5: Fixed Effect Panel Data Regression Estimate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.092577	0.015360	-6.027153	0.0000
TDC	6.01E-07	1.56E-07	3.861800	0.0005
SWC	-4.26E-09	1.42E-08	-0.300556	0.7655
GRT	-2.87E-07	1.11E-07	-2.587993	0.0138
	Effects Specification			
Cross-section fixed (dummy variables)				

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	Weighted Statistics		
R-squared	0.498036	Mean dependent var	0.798245
Adjusted R-squared	0.330715	S.D. dependent var	1.330433
S.E. of regression	0.765266	Sum squared resid	21.08277
F-statistic	2.976529	Durbin-Watson stat	2.005366
Prob(F-statistic)	0.005601		
	Unweighted Statistics		
R-squared	0.418973	Mean dependent var	-0.079108
Sum squared resid	26.24118	Durbin-Watson stat	2.837284

Source: *E-views Version 10*

Decision rule: Reject the null hypothesis if the p-value is less than the 5% level of significance; otherwise, accept the null hypothesis.

Table 4.5 presents the fixed effect regression results on the effect of human resource accounting variables, training and development cost (TDC), salaries and wages cost (SWC), and gratuity (GRT), on net profit margin (NPM) of quoted insurance companies in Nigeria.

The coefficient of multiple determination (R^2) is 0.4980, while the adjusted R^2 is 0.3307. This implies that about 33% of the variation in net profit margin is explained by the independent variables (TDC, SWC, and GRT), while the remaining 67% is explained by other factors not captured in the model. The overall F-statistic of 2.9765 with a probability value of 0.0056 indicates that the model is statistically significant at the 5% level, meaning the explanatory variables jointly exert a significant influence on net profit margin. The Durbin–Watson statistic (2.005) suggests that the model does not suffer from serious autocorrelation.

H_{O1}: Staff Training and Development Has No Significant Effect on Net Profit Margin of Quoted Insurance Companies in Nigeria

Table 4.5 above shows the result of the panel regression analysis. The coefficient of staff Training and development cost (TDC) is 6.01, representing the estimated effect of the variable staff training and development (TDC) on the dependent variable net profit margin (NPM). It indicates that training and development cost has a positive effect on the net profit margin of the sampled insurance firms in Nigeria. This implies that a unit change in staff training and development cost will lead to an increase in net profit margin by 6.01 percent, holding other variables constant. The p-value of the estimate is 0.0005, which is statistically significant at 5% level of significance. This means that staff training and development cost (TDC) has a significant positive effect on the net profit margin of the selected insurance firms in Nigeria. This implies that the null hypothesis should be rejected.

H_{O2}: Salaries and Wages Have No Significant Effect on Net Profit Margin Of Quoted Insurance Companies in Nigeria

Table 4.5 above shows that the coefficient of SWC is -4.26, representing the estimated effect of the variable salaries and wages on the dependent variable net profit margin (NPM). It indicates that salaries and wages hurt the net profit margin of the sampled insurance firms in

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Nigeria. This implies that a unit increase in salaries or wages of staff will lead to a decrease in net profit margin by 4.26 percent, holding other variables constant. The p-value of the estimate is 0.7655, which is statistically not significant at the 5% level of significance. This means that salaries and wages (SWC) have no significant negative effect on the net profit margin of the selected insurance firms in Nigeria. This implies that the null hypothesis should be accepted.

H_{O3}: Gratuity Has No Significant Effect on Net Profit Margin of Quoted Insurance Companies in Nigeria

Table 4.5 above shows that the coefficient of gratuity (GRT) is -2.87, representing the estimated effect of the variable gratuity on the dependent variable net profit margin (NPM). It indicates that gratuity payment hurts the net profit margin of the sampled insurance firms in Nigeria. This implies that a unit increase in gratuity will lead to a decrease in net profit margin by 2.87 percent, holding other variables constant. The p-value of the estimate is 0.0138, which is statistically significant at the 5% level of significance. This means that gratuity (GRT) has a significant effect on the net profit margin of the selected insurance firms in Nigeria. This implies that the null hypothesis should be rejected and the alternative hypothesis is accepted, which states that gratuity has a significant negative effect on the net profit margin of quoted insurance companies in Nigeria.

DISCUSSION OF FINDINGS

Based on the first hypothesis of this study, which is to determine the effect of staff training and development cost on net profit margin, the findings indicate that training and development cost has a positive and significant effect on net profit margin (coefficient = 6.01, p-value = 0.0005). This implies that investment in staff training contributes to improved financial performance among Nigerian insurance companies. The result aligns with the argument of Ojo and Abolarin (2021), who found that employee training positively influences profitability in Nigerian financial institutions. Similarly, Salau et al. (2018) reported that training enhances employee efficiency and productivity, which ultimately translates into better organizational performance. Mokolo et al. (2022) on human resource accounting and financial performance of selected quoted Nigerian food and beverage firms show that staff training and development costs improved firm performance significantly. However, Taibat et al. (2024) examined the impact of human capital expenditure on the financial performance of listed insurance companies in Nigeria. The result revealed that employee training cost has no significant effect on the financial performance of insurance companies in Nigeria. Also, Olowolaju and Oluwasesin (2016) documented that employees' training costs have no significant impact on the financial performance of insurance companies in Nigeria.

The second hypothesis of this study was to examine the effect of salaries and wages on the net profit margin of quoted insurance companies in Nigeria. The result from the panel regression estimate shows that salaries and wages have a negative but statistically insignificant effect on net profit margin (coefficient = -4.26, p-value = 0.7655). This suggests that although higher wage bills reduce profitability, the effect is not strong enough to be statistically relevant. This outcome is consistent with the findings of Adetunji and Olufemi (2019), who argued that while fair compensation enhances employee motivation, excessive wage costs without a corresponding increase in productivity may erode financial performance. Similarly, Ugochukwu and Chinyere (2020) found that wage increases in Nigerian firms had no

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significant effect on profitability due to inefficiencies in labor productivity. However, this result contrasts with some studies, such as Eniola and Entebang (2017), which emphasized that adequate compensation packages foster commitment and long-term financial gains. The insignificant result in this study may reflect inefficiencies in aligning wage structures with performance outputs in the Nigerian insurance sector. This result, however, contradicts the finding of Taibat et al. (2024), whose result shows that employees' salaries and wages have a statistically significant impact on the financial performance of insurance companies in Nigeria.

The last hypothesis of this study was to find out the effect of gratuity on the net profit margin of quoted insurance companies in Nigeria, and the result shows that gratuity payment has a negative and significant effect on net profit margin (coefficient = -2.87, p-value = 0.0138). This implies that higher gratuity costs reduce profitability among insurance firms in Nigeria. The finding agrees with the study of Akinyomi (2020), who noted that post-employment benefits often impose significant financial burdens on firms, especially when poorly managed. In the same vein, Okoye and Ezejiofor (2019) highlighted that high employee benefit obligations may weaken corporate profitability if not matched with sufficient investment returns. This finding suggests that while gratuity is necessary for employee welfare, its financial implications can adversely affect profit margins in capital-intensive industries like insurance.

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

Summary of Findings

This study empirically examined the impact of human resource accounting and the financial performance of quoted insurance companies in Nigeria. The study selected ten (10) insurance companies for a period of five (5) years, ranging from 2020 to 2024. The study employed the fixed effect panel regression model in testing the research hypotheses, and the result shows that:

1. Staff training and development cost (TDC) has a significant positive effect on the net profit margin of the selected insurance firms in Nigeria
2. Salaries and wages (SWC) have no significant negative effect on the net profit margin of the selected insurance companies in Nigeria.
3. Gratuity has a significant negative effect on the net profit margin of quoted insurance companies in Nigeria.

Conclusion

The study concludes that human resource accounting (HRA) plays a crucial role in improving the profitability of quoted insurance companies in Nigeria, where the performance of firms is heavily dependent on the quality, productivity, and retention of their workforce. In the Nigerian insurance industry, which operates in a highly competitive and regulated environment, effective management of human capital is particularly critical because service delivery, client retention, and product innovation are largely driven by staff expertise rather than tangible assets.

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Specifically, the study revealed that investment in staff training and development significantly enhances organizational performance. This highlights the importance of capacity building and employee competence in driving profitability within the Nigerian insurance sector. Since insurance services are knowledge- and skill-intensive, continuous investment in employee training improves technical know-how, service quality, and customer confidence. This finding aligns with the growing recognition that Nigerian insurance firms can only remain competitive by upgrading their human capital to adapt to technological advancements, evolving customer needs, and global insurance standards.

Conversely, gratuity payments were found to negatively and significantly reduce profitability, suggesting that long-term employee benefit obligations place a considerable financial burden on insurance firms. This reflects a major challenge in Nigeria's insurance industry, where firms often face liquidity constraints and thin profit margins. Without proper planning, large gratuity settlements can erode profits and weaken financial sustainability. This finding underscores the need for effective pension administration, actuarial forecasting, and prudent financial planning to manage post-employment benefits without undermining corporate performance.

The study also found that salaries and wages, though negatively related to net profit margin, were not statistically significant. This implies that while staff compensation increases operating costs, it does not directly determine profitability in Nigeria's insurance sector. This may be because salaries are often standardized and regulated within the industry, limiting their immediate impact on profit variability. However, it suggests that profitability depends more on how effectively firms utilize their human resources rather than on the absolute wage bill.

In conclusion, the findings underscore the necessity for Nigerian insurance firms to strike a balance between employee welfare and sustainable financial practices. While human capital investment remains indispensable for achieving growth and competitiveness, such investment must be carefully managed to avoid excessive cost burdens. By aligning human resource accounting practices with strategic financial planning, Nigerian insurance firms can enhance both employee satisfaction and long-term profitability.

Recommendations

Based on the findings of this study, the following recommendations were made;

1. The study found a statistically significant impact of employee training and development costs on the company's financial performance; it is recommended that insurance companies in Nigeria should recognize the importance of training in developing skills and organizational capabilities. Insurance companies should prioritize continuous employee training programs, as they significantly improve profitability by enhancing staff efficiency, innovation, and service delivery.

2. Management of selected insurance companies should ensure that staff are paid, even though the result shows that salaries and wages have no significant effect on the net profit margin of the firm; the expenditure can serve as a valuable tool for employee retention and motivation, which in turn can contribute to the financial performance of the companies in the long run.

3. It is recommended that insurance companies in Nigeria should continue to prioritize and enhance their employee retirement benefit packages, such as gratuity, as this has a

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significant impact on their financial performance. Although the study shows a negative impact in the short run, the future impact of gratuity on the overall performance of the firm is positive

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