



Received: 24-07-2026
Accepted: 04-09-2026

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Human Capital Expenditures and Financial Performance of Insurance Firms in Nigeria

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Abstract

Human capital development is a critical success factor required for any insurance business to compete globally. Insurance firms in Nigeria have invested heavily in human capital development. However, the financial performance of insurance firms in Nigeria does not reflect the huge investments in the development of human capital. Therefore, this study was conducted to examine the effect of human capital expenditures on financial performance of insurance firms in Nigeria. The specific objectives of this study were to assess the effect of salaries of workers on the return on assets of insurance firms in Nigeria, to ascertain the effect of health and safety cost on the return on assets of insurance firms in Nigeria, to assess the effect of contributory pension cost on the return on assets of insurance firms in Nigeria, to determine the effect of employee benefits cost on the return on assets of insurance firms in Nigeria, and to investigate the effect of employee training cost on the return on assets of insurance firms in Nigeria. The study adopted an *ex-post facto* research design and utilized a panel data of one hundred and thirty (130) pooled observations gathered from thirteen (13) insurance firms in Nigeria over ten (10)-year

period (2014-2023) and employed panel multiple regression technique to analyze the data via E-views 10.0 statistical package. The study findings revealed that salaries of workers have significant effect (Coeff. = -0.7960{0.0023}) on return on assets of insurance firms in Nigeria, Health and safety cost have no significant effect (Coeff. = -6.9981{0.4378}) on return on assets of insurance firms in Nigeria, Contributory pension cost has no significant effect (Coeff. = 1.9491{0.1411}) on return on assets of insurance firms in Nigeria while employee benefits have significant effect (Coeff. = -2.4106{0.0006}) on return on assets of insurance firms in Nigeria. It also revealed that employee training cost has significant effect (Coeff. = 11.66843{0.0099}) on return on assets of insurance firms in Nigeria. It was thus concluded that human capital expenditure has a significant influence on financial performance of insurance firms in Nigeria. The study recommended, amongst others, that insurance firms should prioritize investing in employee training and development programs.

Keywords: Human Capital Expenditures, Salaries of Workers, Health and Safety Cost, Contributory Pension Cost, Employee Benefits, Employee Training Cost, Financial Performance, Return on Assets

1. Introduction

1.1 Background to the Study

The insurance industry in Nigeria plays a crucial role in the nation's economic development by providing risk management solutions and financial security to individuals and businesses. However, in recent years, many insurance firms in Nigeria have faced challenges in achieving sustainable financial performance. This has prompted a growing interest in understanding the factors that influence their profitability and operational efficiency. One of such factors is human capital expenditure, which encompasses investments in employee-related costs such as salaries, health and safety measures, pension contributions, training, and other benefits (Chukwu *et al*, 2025). The motivation to explore this topic stems from the recognition that human capital is a vital asset that can drive innovation, enhance customer satisfaction, and ultimately improve financial outcomes for insurance companies.

Human capital expenditures refer to the investments made by organizations in order to develop and maintain the skills, knowledge, and overall well-being of their employees. These investments are not limited to direct financial compensation but also include resources allocated to training programs, health and safety initiatives, and other employee welfare activities.

According to Becker (2020), human capital encompasses the attributes gained by individuals through education and experience, which can increase their economic value. By investing in human capital, organizations aim at enhancing employee productivity, foster innovation, and maintain a competitive edge in the market. Such expenditures are considered crucial for long-term organizational success, as they directly impact on the efficiency and effectiveness of the workforce.

Salaries of workers represent the direct financial remuneration provided to employees in exchange for their services (Ezeoha & Uche, 2021). Competitive salaries are essential for attracting and retaining qualified personnel, which in turn affect organizational performance (Oluwakemi & Adebayo, 2022). Health and safety costs involve investments in creating a safe working environment, thereby reducing the risk of accidents and associated costs. Contributory pension costs pertain to the funds allocated by employers towards employees' retirement benefits, ensuring financial security for staff in their post-employment years. Employee training costs are expenditures related to programs designed to enhance employees' skills and competencies, enabling them to perform their duties more effectively. Lastly, employee benefits encompass additional perks such as health insurance, paid leave, and bonuses, all of which contribute to job satisfaction and employee retention (Ogunleye & Alabi, 2023).

In the context of insurance firms financial performance refers to the ability of these companies to generate profits, manage risks effectively, and ensure long-term sustainability. Key indicators of financial performance include profitability ratios, liquidity ratios, and return on assets (ROA). ROA, in particular, measures how efficiently a company utilizes its assets to generate earnings. It is calculated by dividing net income by total assets and is expressed as a percentage. A higher ROA indicates more efficient use of assets in generating profits, which is a critical aspect of financial health for insurance firms (Eze & Chukwu, 2022). In Nigeria, the financial performance of insurance companies has been under scrutiny due to challenges such as low penetration rates, economic volatility, and regulatory changes. Understanding the factors that influence financial performance, including human capital expenditures, is essential for developing strategies to enhance the sector's contribution to the economy.

The link between human capital expenditures and the financial performance of insurance firms in Nigeria is a subject of significant interest. Investments in human capital are believed to lead to a more competent and motivated workforce, which can improve operational efficiency, customer satisfaction, and innovation. These improvements can result in better financial outcomes, as satisfied customers are more likely to remain loyal, and efficient operations can reduce costs. Studies have shown that organizations that prioritize employee development and well-being tend to perform better financially (Adelakun, 2021). In the Nigerian insurance sector, where competition is intense and customer trust is paramount, investing in human capital could be a strategic move to enhance financial performance. By allocating resources to areas such as training, health and safety, and employee benefits, insurance firms may improve their profitability measured by returns on assets. Therefore, contributing to the overall growth of the insurance industry in Nigeria.

1.2 Statement of the Problem

The effect of human capital expenditures on the financial performance of insurance firms in Nigeria has become increasingly significant as firms struggle to maintain profitability and operational efficiency. Human capital investments, including employee training, health and safety, pension contributions, and other welfare initiatives, are essential for enhancing workforce productivity and overall organizational performance (Becker, 2020). However, many insurance firms in Nigeria have consistently underinvested in these areas, resulting in low employee motivation, high turnover rates and reduced service quality. The lack of adequate training and career development opportunities limits employees' ability to adapt to industry changes, leading to inefficiencies and higher operational costs. Furthermore, poor investment in employee welfare, such as inadequate health and safety measures and pension schemes, contributes to dissatisfaction and instability in the workforce. This ultimately affects financial performance, as disenchanted employees often provide suboptimal customer service, reducing policy renewals and premium income. In an industry where customer trust and service delivery are critical, the inability to attract and retain a highly skilled workforce diminishes firms' competitive advantage and long-term profitability (Ogunleye & Alabi, 2023).

The consequences of inadequate human capital expenditures are evident in the declining financial performance of several insurance firms in Nigeria. According to Oluwakemi and Adebayo (2022) firms that fail to invest in human capital often experience declining returns on assets, increased recruitment and retraining costs, and weakened market positioning. Employee turnover remains a major issue due to limited career advancement opportunities and unfavorable working conditions, further straining financial resources and reducing organizational stability. Additionally, firms that neglect employee development struggle to foster innovation and service excellence, leading to diminished customer satisfaction and reduced revenue generation (Ogunleye & Alabi, 2023). In contrast, firms that prioritize human capital investments tend to achieve better financial performance, as a well-trained and motivated workforce contributes to improved efficiency and higher profitability.

Arising from the challenge of poor financial performance of insurance, there is need to investigate whether the current state of insurance companies is not related with the amount of expenditures invested on human capital. Moreover, most studies on this subject have always adopted few proxies for human capital expenditures, and most studies use fewer period of study. Consequently, this study was conducted to address the identified gaps.

1.3 Objectives of the study

The main objective of this study was to examine the effect of human capital expenditures on financial performance of insurance firms in Nigeria. The specific objectives of this study were:

1. To assess the effect of salaries of workers on the return on assets of insurance firms in Nigeria.
2. To ascertain the effect of health and safety cost on the return on assets of insurance firms in Nigeria.
3. To assess the effect of contributory pension cost on the return on assets of insurance firms in Nigeria.
4. To determine the effect of employee benefits cost on the return on assets of insurance firms in Nigeria.

5. To examine the effect of employee training cost on the return on assets of insurance firms in Nigeria.

1.4 Research hypotheses

The researcher formulated the hypotheses stated below (in the null form) to guide the empirical study:

H₀₁: Salaries of workers have no significant effect on return on assets of insurance firms.

H₀₂: Health and safety cost have no significant effect on the return on assets of insurance firms.

H₀₃: Contributory pension cost has no significant effect on the return on assets of insurance firms.

H₀₄: Employee benefits have no significant effect on the return on assets of insurance firms.

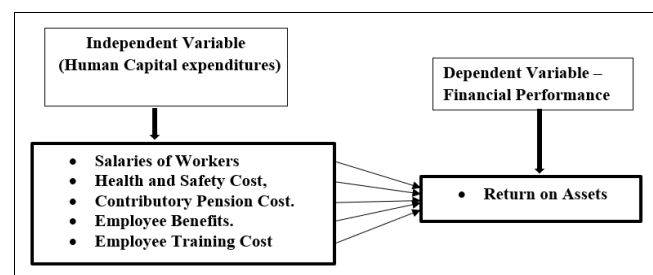
H₀₅: Employee training cost have no significant effect on the return on assets of insurance firms.

2. Review of Related Literature

The importance of the review of related literature in research work cannot be overemphasized. Consequently, This study will carry out review of related literature in three areas. Firstly is the review of conceptual literature which is aimed at understanding the various concepts used in the study which relate to the study. The second is the theoretical review which aims to explore the theories that provide the link between the independent variable and the dependent variable. The third is the empirical literature which captures the work of other scholars relating to the subject of subject with the main aim of identifying gaps from those studies.

2.1 Conceptual Framework

The interrelationships between the human capital expenditures being the independent variable and financial performance, which is the dependent variable are depicted in the Fig 1 below.



Source: Researcher's conceptualization (2026)

Fig 1: Interrelationships of variables

2.1.1 Human capital expenditures

Human capital expenditures refer to the investments made by organizations in their workforce to enhance skills, knowledge, and productivity. These expenditures include costs related to training, education, health, and other initiatives aimed at improving employee performance and organizational outcomes. According to Thompson (2021), human capital expenditures are a critical component of organizational strategy, as they directly influence the quality and efficiency of the workforce. By investing in employees, organizations can foster innovation, improve operational efficiency, and gain a competitive edge in the market. This concept underscores the importance of viewing employees not just as labor but as valuable assets whose development can drive long-term success. The scope of human capital expenditures extends beyond traditional training programs

to include health and wellness initiatives, leadership development, and technology-driven learning platforms. As highlighted by Okonkwo and Adeyemi (2020), modern organizations are increasingly adopting holistic approaches to human capital development, recognizing that employee well-being and professional growth are interconnected. For instance, health and wellness programs reduce absenteeism and improve productivity, while leadership development initiatives prepare employees for higher responsibilities. These investments collectively contribute to a more skilled, motivated, and resilient workforce, capable of adapting to changing business environments (Umo, 2024).

From a financial perspective, Umo (2023), stated that human capital expenditures are often categorized as operational costs, but they should be viewed as strategic investments with long-term returns. According to Udeh (2019), the benefits of these expenditures, such as increased productivity, employee retention, and innovation, often outweigh the initial costs. Organizations that prioritize human capital development tend to experience higher levels of employee engagement and loyalty, which translate into improved performance and profitability. This perspective aligns with the broader understanding of human capital as a key driver of economic growth and organizational success. The measurement of human capital expenditures can be challenging, as their impact is often intangible and long-term. However, metrics such as return on investment (ROI), employee performance indicators, and retention rates can provide insights into the effectiveness of these investments. As noted by Nwosu (2022), organizations must adopt robust evaluation frameworks to assess the outcomes of human capital expenditures and ensure that resources are allocated efficiently. This data-driven approach enables organizations to refine their strategies, maximize the impact of their investments, and achieve sustainable growth.

In developing economies, human capital expenditures are particularly crucial for addressing skill gaps and enhancing workforce competitiveness. According to Ibrahim (2021), many organizations in these regions face challenges such as limited access to quality education and training, which hinder workforce development. By investing in targeted initiatives, such as vocational training and digital literacy programs, organizations can bridge these gaps and create a more capable workforce. This not only benefits the organization but also contributes to broader socio-economic development by improving employability and reducing poverty. Human capital expenditures represent a strategic investment in the workforce, encompassing training, health, and development initiatives. These expenditures are essential for enhancing employee skills, productivity, and well-being, ultimately driving organizational success. By adopting a holistic and data-driven approach, organizations can maximize the impact of their investments and build a workforce that is capable of meeting future challenges.

2.1.2 Components of human capital expenditure

The concept of human capital expenditure (HCE) can be evaluated from many perspectives. However, for this study it will be considered in terms of salaries of workers, health and safety cost, contributory pension, employee benefits and employee training costs.

2.1.2.1 Salaries of Workers

According to Umo (2022), salaries of workers refer to the fixed regular payments employees receive for their labor or services, typically expressed as an annual sum but paid in

monthly, bi-weekly, or weekly installments. This concept is central to labor economics and human resource management, as it represents the financial compensation workers earn in exchange for their contribution to an organization. Salaries are distinct from wages, which are often calculated based on hours worked or output produced. According to Smith (2020), salaries are the form of economic exchange where employers provide monetary rewards to employees in return for their skills, time, and effort. This exchange is governed by employment contracts, labor laws, and market dynamics, ensuring that workers are fairly compensated for their contributions. The determination of salaries is influenced by various factors, including the worker's qualifications, experience, industry standards, and the organization's financial capacity. As noted by Johnson & Lee (2019), the process of salary setting often involves a balance between internal equity (fairness within the organization) and external competitiveness (alignment with market rates). Employers must consider both the value of the role to the organization and the prevailing wage rates in the labor market to attract and retain talent. This dual focus ensures that salaries are both equitable and competitive, fostering employee satisfaction and organizational stability.

Umo (2022), stated that salaries also play a critical role in shaping workers' economic well-being and quality of life. They provide the primary source of income for most individuals, enabling them to meet their basic needs, such as housing, food, and healthcare, while also allowing for savings and discretionary spending. According to Adebayo (2021), the level of salary a worker earns directly impacts their standard of living and overall economic security. In this sense, salaries are not merely a transactional element of employment but a fundamental component of workers' socio-economic stability. This perspective underscores the importance of fair and adequate compensation in promoting social equity and reducing income inequality. The structure of salaries often includes base pay, allowances, and benefits, which collectively form the total compensation package. Base pay is the fixed amount an employee earns, while allowances and benefits may include housing, transportation, health insurance, and retirement contributions. As highlighted by Okafor (2018), the inclusion of these additional components enhances the overall value of the compensation package, making it more attractive to employees. This comprehensive approach to salary structuring reflects the evolving nature of work and the increasing demand for holistic compensation models that address workers' diverse needs.

From an organizational perspective, salaries are a significant component of operational costs and are closely tied to financial planning and budgeting. Employers must allocate resources effectively to ensure that salary expenditures align with the organization's financial health and strategic objectives. According to Eze & Nwankwo (2022), effective salary management requires a thorough understanding of labor market trends, organizational priorities, and employee expectations. This strategic approach enables organizations to optimize their compensation practices, ensuring that they remain competitive while maintaining financial sustainability. The concept of salaries of workers encompasses the financial compensation employees receive for their labor, shaped by factors such as qualifications, market rates, and organizational capacity. It plays a vital

role in workers' economic well-being and is a key element of organizational strategy. By understanding the complexities of salary determination and structuring, employers can create compensation systems that are fair, competitive, and aligned with both employee needs and organizational goals.

2.1.2.2 Health and Safety Cost

Health and safety costs refer to the financial investments made by organizations to ensure the well-being and protection of their employees in the workplace. These costs encompass a wide range of activities, including the implementation of safety protocols, provision of protective equipment, training programs, and compliance with regulatory standards. According to Adeleke (2020), health and safety costs are a critical aspect of organizational operations, as they directly impact employee productivity, morale, and overall workplace efficiency. By prioritizing health and safety, organizations can reduce the risk of workplace accidents, illnesses, and associated liabilities, creating a safer and more productive work environment. The scope of health and safety costs includes both preventive and reactive measures. Preventive measures involve proactive steps such as risk assessments, safety training, and the installation of safety equipment, while reactive measures address the consequences of workplace incidents, such as medical treatments, compensation claims, and legal fees. As highlighted by Ogbonna & Ezeifeke (2018), organizations that invest in preventive health and safety measures often experience lower long-term costs compared to those that focus solely on reactive measures. This proactive approach not only minimizes financial losses but also fosters a culture of safety and accountability within the organization.

From a financial perspective, health and safety costs are often viewed as necessary expenditures rather than optional investments. According to Akpan (2021), the direct costs of workplace accidents, such as medical expenses and compensation, are often accompanied by indirect costs, including lost productivity, reputational damage, and employee turnover. These indirect costs can significantly impact an organization's bottom line, making it essential to allocate adequate resources to health and safety initiatives. By doing so, organizations can mitigate risks, reduce liabilities, and ensure compliance with legal and regulatory requirements. The measurement of health and safety costs can be complex, as it involves quantifying both tangible and intangible factors. Tangible costs include direct expenses such as medical bills, insurance premiums, and safety equipment, while intangible costs encompass factors like employee morale, organizational reputation, and productivity losses. As noted by Chukwu & Okoli (2019), organizations must adopt comprehensive evaluation frameworks to assess the effectiveness of their health and safety investments. This data-driven approach enables organizations to identify areas for improvement, optimize resource allocation, and enhance overall workplace safety.

In developing economies, health and safety costs are particularly significant due to challenges such as inadequate infrastructure, limited regulatory enforcement, and a lack of awareness about workplace safety. According to Onyema (2022), many organizations in these regions face difficulties in implementing effective health and safety measures due to resource constraints and cultural barriers. However, investing in health and safety is crucial for improving working conditions, reducing accident rates, and enhancing

employee well-being. By addressing these challenges, organizations can create safer workplaces and contribute to broader socio-economic development. Health and safety costs are essential investments that organizations make to protect their employees and ensure workplace well-being. These costs encompass preventive and reactive measures, with significant financial and operational implications. By adopting a proactive and data-driven approach, organizations can minimize risks, reduce liabilities, and create a safer and more productive work environment.

2.1.2.3 Contributory Pension Cost

Contributory pension costs refer to the financial obligations incurred by employers and employees in funding a pension scheme where both parties make regular contributions. These costs are a critical component of employee compensation and retirement planning, ensuring that workers have financial security after retirement. According to Aluko & Adesina (2020), contributory pension schemes are designed to provide a sustainable and reliable source of income for retirees, reducing the burden on social security systems and promoting long-term financial stability. By sharing the responsibility of pension funding between employers and employees, these schemes create a balanced approach to retirement savings, benefiting both parties. The structure of contributory pension costs typically involves a defined percentage of an employee's salary being deducted and matched by the employer. This dual contribution model ensures that the pension fund grows over time, providing adequate resources for retirement. As highlighted by Okeke & Nwankwo (2019), the percentage of contributions may vary depending on regulatory requirements, organizational policies, and the specific terms of the pension scheme. Employers must carefully manage these costs to ensure compliance with legal standards while maintaining financial sustainability. This balance is crucial for fostering employee trust and ensuring the long-term viability of the pension scheme.

Contributory pension costs are a significant part of employee benefits and overall compensation packages. These costs are often viewed as an investment in employee satisfaction and retention, as they demonstrate the employer's commitment to the long-term well-being of their workforce. According to Ezeoha & Uche (2021), organizations that prioritize contributory pension schemes tend to experience higher levels of employee loyalty and engagement. This is because such schemes provide employees with a sense of financial security, reducing stress and increasing productivity. In this way, contributory pension costs contribute not only to employee welfare but also to organizational performance. The management of contributory pension costs requires careful planning and oversight to ensure that funds are adequately maintained and invested. Pension funds are typically managed by professional administrators who invest contributions in various financial instruments to generate returns. As noted by Okafor & Adeyemo (2018), the performance of these investments directly impacts the growth of the pension fund and the benefits available to retirees. Employers must therefore monitor the management of these funds to ensure transparency, accountability, and optimal returns. This oversight is essential for maintaining the trust of employees and safeguarding their retirement savings.

Contributory pension schemes face unique challenges, such as low compliance rates, inadequate regulatory frameworks,

and limited financial literacy. According to Adepoju (2022), many workers in these regions are either unaware of the benefits of contributory pensions or lack access to reliable pension schemes. This highlights the need for increased awareness campaigns, stronger regulatory enforcement, and improved access to pension services. By addressing these challenges, governments and organizations can promote the adoption of contributory pension schemes, enhancing financial security for workers and reducing poverty among retirees. Contributory pension costs represent a shared financial responsibility between employers and employees, aimed at ensuring retirement security. These costs are a vital component of employee compensation, contributing to financial stability, employee satisfaction, and organizational performance. By effectively managing and promoting contributory pension schemes, organizations and governments can create a more secure and prosperous future for workers.

2.1.2.4 Employee Benefits

Employee benefits refer to the non-wage compensation provided to employees in addition to their regular salaries. These benefits are designed to enhance the overall well-being of employees, improve job satisfaction, and attract and retain talent. According to Okoli & Ezeifeka (2020), employee benefits play a crucial role in shaping the employer-employee relationship, as they demonstrate the organization's commitment to the welfare of its workforce. Common examples of employee benefits include health insurance, retirement plans, paid time off, and wellness programs. These benefits not only provide financial security but also contribute to a positive work environment and improved employee morale. The scope of employee benefits extends beyond traditional offerings to include modern perks such as flexible work arrangements, professional development opportunities, and mental health support. As highlighted by Adebayo & Udeh (2019), organizations are increasingly adopting innovative benefit packages to meet the diverse needs of their employees. For instance, flexible work arrangements allow employees to balance their personal and professional lives, while professional development opportunities enable them to enhance their skills and advance their careers. These modern benefits reflect the evolving nature of work and the growing emphasis on employee-centric policies.

According to Umo (2024), employee benefits represent a significant portion of an organization's total compensation costs. However, they are often viewed as a strategic investment rather than a mere expense. According to Nwankwo & Adesina (2021), organizations that offer comprehensive benefit packages tend to experience higher levels of employee engagement, productivity, and retention. These outcomes justify the costs associated with providing benefits, as they contribute to long-term organizational success. Additionally, benefits such as health insurance and retirement plans provide employees with a sense of security, reducing stress and improving overall job satisfaction. The design and implementation of employee benefits require careful planning to ensure they align with organizational goals and employee needs. Organizations must consider factors such as industry standards, employee demographics, and budgetary constraints when developing benefit packages. As noted by Ogbonna & Okeke (2018), effective benefit programs are tailored to the unique needs of the workforce and are regularly reviewed to ensure they remain

relevant and competitive. This proactive approach enables organizations to maximize the impact of their benefits and maintain a satisfied and motivated workforce.

Employee benefits face unique challenges, such as limited resources, inadequate infrastructure, and regulatory constraints. According to Eze & Adeleke (2022), many organizations in these regions struggle to provide comprehensive benefits due to financial and logistical barriers. However, investing in employee benefits is crucial for improving working conditions, enhancing employee well-being, and driving organizational performance. By addressing these challenges, organizations can create a more supportive work environment and contribute to broader socio-economic development. Employee benefits are a vital component of total compensation, providing non-wage perks that enhance employee well-being and job satisfaction. These benefits range from traditional offerings like health insurance to modern perks such as flexible work arrangements. By designing and implementing effective benefit programs, organizations can attract and retain talent, improve employee morale, and achieve long-term success.

2.1.2.5 Employee training cost

Employee training costs refer to the financial investments made by organizations to enhance the skills, knowledge, and competencies of their workforce. These costs cover a wide range of activities, including formal training programs, workshops, e-learning platforms, and on-the-job training. According to Okafor & Nwosu (2020), employee training costs are a critical component of human capital development, as they directly influence employee performance, productivity, and organizational growth. By investing in training, organizations can equip their workforce with the necessary tools to adapt to changing business environments, innovate, and maintain a competitive edge in the market. The scope of employee training costs includes both direct and indirect expenses. Direct costs encompass tangible expenditures such as hiring trainers, purchasing training materials, and renting facilities, while indirect costs include the time employees spend away from their regular duties and the potential loss of productivity during training periods. As highlighted by Adeyemi & Eze (2019), organizations must carefully balance these costs to ensure that training programs are both effective and efficient. This requires a strategic approach to training design, delivery, and evaluation, ensuring that the benefits of training outweigh the associated costs.

Employee training costs are often viewed as an investment rather than an expense. According to Uche & Okonkwo (2021), the return on investment (ROI) from training can be significant, as it leads to improved employee performance, higher job satisfaction, and reduced turnover rates. Organizations that prioritize training tend to experience greater innovation, operational efficiency, and customer satisfaction. These outcomes justify the initial costs of training, making it a valuable component of organizational strategy. However, it is essential for organizations to measure the impact of training to ensure that resources are used effectively. The measurement of employee training costs involves evaluating both quantitative and qualitative outcomes. Quantitative metrics include improvements in productivity, reductions in error rates, and increases in sales, while qualitative outcomes encompass employee morale, engagement, and job satisfaction. As noted by Adesina & Ogbonna (2018), organizations must adopt robust evaluation

frameworks to assess the effectiveness of training programs. This data-driven approach enables organizations to identify areas for improvement, optimize training delivery, and maximize the impact of their investments.

Employee training costs are particularly significant due to challenges such as skill gaps, limited access to quality education, and rapid technological changes. According to Nwankwo & Adeleke (2022), many organizations in these regions face difficulties in implementing effective training programs due to resource constraints and infrastructure limitations. However, investing in training is crucial for addressing these challenges and building a skilled workforce capable of driving economic growth. By prioritizing training, organizations can enhance employee capabilities, improve organizational performance, and contribute to broader socio-economic development. Employee training costs represent a strategic investment in the development of human capital, encompassing direct and indirect expenses associated with skill enhancement. These costs are essential for improving employee performance, fostering innovation, and maintaining organizational competitiveness. By adopting a data-driven and strategic approach to training, organizations can maximize the impact of their investments and build a workforce that is prepared to meet future challenges.

2.1.3 Financial Performance

According to Umo (2023), financial performance refers to the measure of an organization's ability to generate profits, manage resources efficiently, and achieve its financial goals. It is a critical indicator of an organization's overall health and sustainability, often assessed through metrics such as revenue growth, profitability, return on investment (ROI), and liquidity ratios. According to Udo & Nwankwo (2020), financial performance provides valuable insights into an organization's operational efficiency, strategic effectiveness, and market competitiveness. By analyzing financial performance, stakeholders can make informed decisions about investments, resource allocation, and future growth strategies. The evaluation of financial performance involves both quantitative and qualitative analyses. Quantitative metrics include financial statements such as income statements, balance sheets, and cash flow statements, which provide a snapshot of an organization's financial position. Qualitative factors, such as market trends, competitive positioning, and management effectiveness, also play a significant role in assessing financial performance. As highlighted by Adeyemi & Okafor (2019), a comprehensive evaluation of financial performance requires a balanced approach that considers both financial data and contextual factors. According to Umo (2024), this holistic perspective enables organizations to identify strengths, address weaknesses, and capitalize on opportunities for improvement.

Financial performance is closely linked to organizational decision-making and long-term planning. Organizations that consistently achieve strong financial performance are better positioned to invest in innovation, expand their operations, and attract investors. According to Ezeoha & Adepoju (2021), financial performance is not only a reflection of past achievements but also a predictor of future success. By maintaining robust financial performance, organizations can build resilience, adapt to changing market conditions, and sustain growth over time. This underscores the importance of effective financial management and strategic planning in

driving organizational success. The factors influencing financial performance are multifaceted and interconnected. Key drivers include operational efficiency, cost management, revenue generation, and market positioning. As noted by Okeke & Adeleke (2018), organizations must adopt a proactive approach to managing these factors to optimize financial performance. For instance, cost management initiatives can improve profitability, while strategic investments in marketing and innovation can enhance revenue growth. By addressing these drivers, organizations can achieve a competitive edge and deliver value to stakeholders.

Financial performance is often influenced by unique challenges such as economic instability, regulatory constraints, and limited access to capital. According to Nwosu & Eze (2022), organizations in these regions must navigate these challenges while striving to achieve financial stability and growth. This requires innovative strategies, such as leveraging technology, diversifying revenue streams, and building strong partnerships. By overcoming these challenges, organizations can improve their financial performance and contribute to broader economic development. Financial performance is a critical measure of an organization's ability to achieve its financial goals and sustain long-term success. It encompasses both quantitative and qualitative assessments, providing valuable insights into operational efficiency and strategic effectiveness. By addressing key drivers of financial performance and navigating challenges, organizations can optimize their financial health and deliver value to stakeholders.

2.1.3.1 Return on Assets

Return on Assets (ROA) is a financial metric used to evaluate an organization's efficiency in utilizing its assets to generate profit. It is calculated by dividing net income by total assets, expressed as a percentage. According to Okafor & Nwankwo (2020), ROA provides insights into how effectively an organization manages its resources to produce earnings. A higher ROA indicates better asset utilization and operational efficiency, while a lower ROA may suggest inefficiencies or underperformance. This metric is particularly useful for comparing the performance of companies within the same industry, as it reflects the ability to convert investments in assets into profits. The significance of ROA lies in its ability to measure both profitability and asset management. Unlike other profitability metrics, such as return on equity (ROE), ROA considers the total assets employed by an organization, providing a more comprehensive view of performance. As highlighted by Adeyemi & Eze (2019), ROA is a valuable tool for investors, managers, and stakeholders to assess an organization's operational effectiveness. For instance, a company with a high ROA is likely to be more attractive to investors, as it demonstrates efficient use of resources and strong financial health. This makes ROA a critical indicator of organizational success.

ROA serves as a benchmark for evaluating the effectiveness of asset allocation and operational strategies. Organizations can use ROA to identify areas where asset utilization can be improved, such as reducing idle assets or optimizing production processes. According to Uche & Okoli (2021), improving ROA requires a balanced approach that focuses on increasing revenue while managing asset levels. For example, streamlining inventory management or investing in high-return projects can enhance ROA. This strategic focus

on asset efficiency helps organizations maximize profitability and achieve sustainable growth. The factors influencing ROA include revenue growth, cost management, and asset turnover. Revenue growth directly impacts net income, while cost management ensures that expenses are controlled to maximize profitability. Asset turnover, which measures how efficiently assets are used to generate sales, is another critical factor. As noted by Adesina & Ogbonna (2018), organizations must address these factors holistically to improve ROA. For instance, increasing sales without a corresponding rise in asset levels can boost ROA, while reducing unnecessary assets can also enhance the metric. This integrated approach ensures that organizations achieve optimal asset utilization.

ROA is often influenced by unique challenges such as limited access to capital, infrastructure deficits, and economic volatility. According to Nwosu & Adeleke (2022), organizations in these regions must navigate these challenges while striving to improve asset efficiency. Strategies such as adopting technology, improving supply chain management, and diversifying revenue streams can help enhance ROA. By addressing these challenges, organizations can improve their financial performance and contribute to broader economic development. Return on Assets (ROA) is a critical financial metric that measures an organization's efficiency in utilizing its assets to generate profit. It provides valuable insights into operational effectiveness, profitability, and asset management. By addressing key drivers and challenges, organizations can optimize their ROA and achieve sustainable financial performance.

2.1.4 Relationship between human capital expenditures and financial performance

Human capital expenditures refer to the investments made by organizations in their workforce to enhance skills, knowledge, and productivity. These expenditures include costs related to training, education, health, and other initiatives aimed at improving employee performance. According to Okafor & Nwankwo (2020), human capital expenditures are a critical driver of organizational success, as they directly influence employee efficiency, innovation, and overall financial performance. By investing in human capital, organizations can build a skilled and motivated workforce capable of adapting to changing business environments and driving long-term growth. The relationship between human capital expenditures and financial performance is well-documented in organizational studies. Human capital investments lead to improved employee productivity, which in turn enhances revenue generation and profitability. As highlighted by Adeyemi & Eze (2019), organizations that prioritize human capital development tend to experience higher levels of employee engagement, reduced turnover rates, and increased operational efficiency. These outcomes contribute to stronger financial performance, as engaged and skilled employees are more likely to deliver high-quality work and drive innovation. This underscores the importance of viewing human capital expenditures as strategic investments rather than operational costs.

The impact of human capital expenditures on performance can be measured through metrics such as return on investment (ROI), revenue growth, and profit margins. According to Uche & Okoli (2021), organizations that allocate resources effectively to human capital initiatives

often achieve significant returns in terms of improved financial outcomes. For instance, training programs that enhance employee skills can lead to higher productivity, while health and wellness initiatives reduce absenteeism and improve overall efficiency. These benefits justify the costs associated with human capital expenditures and highlight their role in driving financial success. The effectiveness of human capital expenditures in improving financial performance depends on several factors, including the quality of training programs, employee participation, and organizational support. As noted by Adesina & Ogbonna (2018), organizations must adopt a strategic approach to human capital development, ensuring that investments are aligned with business objectives and employee needs. For example, targeted training programs that address specific skill gaps can yield better results than generic initiatives. Additionally, fostering a culture of continuous learning and development can maximize the impact of human capital expenditures on financial performance.

The link between human capital expenditures and financial performance is particularly significant due to challenges such as skill gaps, limited access to quality education, and infrastructure deficits. According to Nwosu & Adeleke (2022), organizations in these regions must invest in human capital to build a competitive workforce and drive economic growth. Strategies such as vocational training, digital literacy programs, and leadership development can help bridge skill gaps and enhance employee capabilities. By addressing these challenges, organizations can improve their financial performance and contribute to broader socio-economic development. Human capital expenditures play a vital role in enhancing financial performance by improving employee productivity, engagement, and innovation. These investments are essential for building a skilled workforce and achieving long-term organizational success. By adopting a strategic and data-driven approach to human capital development, organizations can maximize the impact of their expenditures and drive sustainable financial growth.

2.2 Theoretical Framework

Three theories have been employed in explaining the relationships between human capital expenditure and financial performance: human capital theory, resource based view theory and signaling theory. However, human capital theory is the anchor of this work.

2.2.1 Human Capital Theory by Schultz (1961)

The Human Capital Theory (HCT) originally proposed by Schultz (1961) and further developed by Becker (1964), posits that investments in human capital—such as education, training, and healthcare—enhance individuals' productivity, ultimately leading to improved economic outcomes. The theory suggests that just as organizations invest in physical capital to boost efficiency, investing in human capital generates long-term benefits by increasing workers' skills, knowledge, and capabilities. Becker (1964) differentiates between general and specific human capital, where general human capital benefits individuals across multiple firms, while specific human capital enhances productivity within a particular organization. In the context of insurance firms in Nigeria, the theory implies that expenditures on employee training, professional development, and health benefits can improve workforce efficiency, leading to better underwriting decisions, risk assessment, and customer service, which in turn enhance financial performance. Organizations that

prioritize human capital development are likely to experience increased profitability, competitive advantage, and operational sustainability.

Despite its broad acceptance, the Human Capital Theory has faced criticism from several scholars. Spence (1973) & Arrow (1973) argue that education and training may serve more as a signaling mechanism rather than directly increasing productivity, suggesting that firms may invest in human capital without guaranteed performance improvements. Furthermore, Doeringer & Piore (1971) highlight that labor markets are segmented, meaning that human capital investments may not yield equal benefits for all employees due to structural barriers. Critics also point out that the theory assumes a linear relationship between investment in human capital and economic returns, which does not always hold true in practice. In the insurance industry, external factors such as regulatory constraints, macroeconomic instability, and technological disruptions may limit the impact of human capital expenditures on financial performance. Additionally, firms may struggle with employee retention, meaning that investments in human capital could benefit competitors if trained employees leave for better opportunities. These criticisms suggest that while human capital expenditures can be beneficial, they do not automatically translate into improved financial outcomes without considering organizational dynamics and external market conditions.

This study is anchored on the Human Capital Theory because it provides a relevant framework for understanding the relationship between human capital expenditures and the financial performance of insurance firms in Nigeria. Given the knowledge-intensive nature of the insurance industry, employees' expertise, analytical skills, and decision-making capabilities significantly influence firm performance. By examining how training programs, staff welfare, and knowledge acquisition contribute to underwriting profitability, claim management efficiency, and market competitiveness, this study aligns with the core principles of the Human Capital Theory. Additionally, the theory helps to explain why firms that consistently invest in workforce development tend to outperform those that do not, reinforcing the importance of strategic human capital investment. In Nigeria's evolving insurance sector, where firms face talent shortages, regulatory changes, and increasing customer expectations, the application of Human Capital Theory offers practical insights into optimizing workforce productivity to enhance financial outcomes. By adopting this theoretical lens, the study can assess how effective human capital expenditures are in driving sustainable financial performance, while also considering potential moderating factors such as firm size, corporate governance, and technological advancements.

2.2.2 Resource-Based View (RBV) Theory by Wernerfelt (1984) and Barney (1991)

The Resource-Based View (RBV) theory, introduced by Penrose (1959) and later expanded by Wernerfelt (1984) and Barney (1991), posits that a firm's sustainable competitive advantage is derived from its internal resources rather than external market factors. According to Barney (1991), resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to provide long-term competitive advantages. Human capital, as a critical intangible resource, plays a central role in shaping firm performance. In the context of insurance firms in Nigeria, expenditures on

employee training, professional development, and retention strategies contribute to building unique competencies that drive underwriting accuracy, risk assessment, customer satisfaction, and operational efficiency. The RBV suggests that firms that effectively develop and leverage their human capital resources can achieve superior financial performance by enhancing service quality, reducing operational risks, and fostering innovation. This theoretical perspective underscores the importance of strategic investments in human capital as a means of sustaining a firm's competitive edge in a dynamic and regulated industry.

Despite its wide acceptance, the RBV theory has been criticized on several grounds. Priem & Butler (2001) argue that the theory lacks clear empirical validation and fails to provide a systematic approach for measuring resource value. Additionally, critics such as Newbert (2007) highlight that the RBV does not fully account for how firms acquire, develop, or renew their strategic resources over time. Another limitation is that the theory assumes that firms inherently possess valuable and inimitable resources, overlooking the role of dynamic market forces and industry regulations in shaping competitive advantage. In the insurance sector, external factors such as policy changes, economic fluctuations, and technological advancements can influence financial performance, making it difficult to attribute success solely to internal resource management. Furthermore, firms may invest heavily in human capital without realizing proportional financial gains if employee retention is low or if knowledge spillover benefits competitors. These criticisms suggest that while RBV provides a strong theoretical foundation for understanding firm performance, it must be integrated with other strategic frameworks to account for external market dynamics and resource fluidity.

2.2.3 Signaling Theory by Michael Spence (1973)

The Signaling Theory was introduced by Michael Spence in 1973 as a framework to explain how individuals or organizations convey information about their qualities or intentions to others in situations of information asymmetry. Spence argued that in markets where one party has more information than the other, signals are used to bridge this gap. For example, in the labor market, educational qualifications serve as signals of an individual's productivity and potential. In the context of insurance firms in Nigeria, Signaling Theory suggests that human capital expenditures, such as investments in employee training, certifications, and development programs, act as signals to stakeholders about the firm's commitment to quality, professionalism, and long-term growth. These signals can enhance the firm's reputation, attract customers, and improve financial performance by demonstrating a competitive edge in service delivery and operational excellence.

Despite its widespread application, Signaling Theory has faced several criticisms. One major critique is that it assumes signals are always accurate and reliable, which may not be the case in practice. For instance, Stiglitz (1975) argued that signals can be manipulated or misrepresented, leading to inefficiencies in the market. In the context of human capital expenditures, critics have pointed out that not all training programs or certifications translate into improved employee performance or organizational outcomes. Additionally, in Nigeria, where regulatory oversight may be weak, some insurance firms might engage in "cosmetic" signaling—investing in superficial training

programs or certifications without genuine commitment to employee development. This undermines the credibility of signals and limits their effectiveness in driving financial performance. These criticisms highlight the need for robust mechanisms to ensure that human capital expenditures are meaningful and aligned with organizational goals.

2.3 Empirical Review

Many scholarly articles have been written on the relationship between human capital expenditures and financial performance of different entities. Some of these studies have been reviewed here for this study.

Chukwu, *et al.* (2025) investigated the relationship between human capital investments and financial performance of selected listed insurance companies in Nigeria. The study adopted a survey research design and collected data through administration of questionnaire. The population size of the study was one thousand four hundred and fifty (1,450) employees of twenty-three (23) listed insurance firms from six (6) states of the south-south geo-political zone of Nigeria; while the sample size was 314 of the employees. The results of the study revealed that investments in staff training and retraining have positive and significant relationship with returns on equity of the selected insurance firms. Besides, staff welfare investment as well as staff health investment showed positive and significant relationship with returns on equity. This led to the recommendations that these insurance companies should continue to prioritize and strategically invest in the training and development initiatives of their workforce as well as prioritize staff welfare as such investments are evidently associated with improved financial performance and also, they should carefully reassess and potentially reallocate their investments in staff health initiatives, considering alternative strategies and focusing on comprehensive well-being programs that align more closely with the financial metrics of returns on equity, ensuring a more targeted and impactful approach to achieving optimal financial performance.

Žárská & Masárová (2025) researched on human capital in relation to economic growth in EU countries. One of the fundamental objectives of any country is to improve its economic performance and ensure stable economic development and sustainable economic growth. Recently, human capital has become one of the most important factors in the growth of national performance, and its importance is growing in the context of the development of the digital economy. To promote economic growth, it is essential to invest in raising the level of human capital, particularly in education, health, science and research. However, it is not only the amount of these investments that is important, but also their efficient use and the government's ability to ensure favourable conditions for their long-term return. This paper aims to identify the evolution of human capital in EU countries by comparing two alternative methods, analysing its level in relation to economic growth and then identifying the dynamics of the patterns of change in these variables across member states. The research was carried out for 2013-2022 and 2023, respectively, based on statistical data from Eurostat and the United Nations Development Programme. The level of human capital was expressed using a multi-criteria method (the standardised variable method) and the Human Development Index. The position of the countries based on the value of the integral indicator calculated by the standard variable method, the HDI and the

economic performance measured by the GDP indicator were compared through percentiles. A single-factor analysis of variance was used to assess the dynamics of the development of the indicators under study. The results of our research show that northern and western European countries performed better in both human capital and economic performance assessments than southern and eastern and central Europe, respectively. This is due to the different levels of investment in education, health, culture, research and development, and the different values of the outcome indicators. Sufficient investment in human capital is, therefore, essential for economic prosperity and sustainable economic growth.

Mohammad (2025) delved into the impact of human resources investment on profitability of listed services firms in Nigeria. In order for an organization to maintain a competitive edge within any given industry, it is imperative that it employs a workforce that is both highly skilled and well-informed. It is for this rationale that corporations allocate substantial financial resources towards human capital investments, encompassing recruitment, training, salaries, wages, and various compensatory mechanisms, with the aim of acquiring exceptionally talented, skilled, trained, and motivated personnel capable of enhancing organizational performance. This study examines the effect of human resources investment on the profitability of service-oriented firms listed on the Nigerian Stock Exchange (NSE). It evaluates the correlation among the variables of salaries and wages, training expenditures, pension contributions, and health-related costs (considered as independent variables) in relation to profitability (designated as the dependent variable). Data were sourced from the annual financial statements of 14 firms spanning five years (2018 to 2022) and analyzed utilizing ordinary least squares (OLS) regression methodologies. The findings, which predominantly challenge the prevailing literature, indicate that investments in human resources via salaries and wages may lead to diminished profitability for service firms as a result of excessive compensation payments. Ultimately, the study advocates for future researchers to investigate additional factors that could influence the profitability of service firms, either directly or indirectly, through the incorporation of moderating and mediating variables.

Adekanmi *et al.* (2025) assessed the influence of intellectual capital on financial performance of quoted manufacturing firms in Nigeria. A key global concern that relates to intellectual capital and financial performance of quoted manufacturing firms is the measurement and disclosure models relating to intellectual capital lie on the problem of non-standardized in various international markets. This study looked at the influence of intellectual capital on financial performance of quoted manufacturing firms in Nigeria. In particular, the study examined the impact of structural capital, human capital and capital used on financial performance of quoted manufacturing firms in Nigeria. The study utilized ex-post facto research design. The study obtained data through secondary sources to gathered financial data. The population of the study comprised thirty-three (33) quoted manufacturing firms in Nigeria which include both industrial and consumer goods firms, as of December 31, 2024, quoted on the Nigerian Exchange Group (NGX). Descriptive statistics and inferential statistics using Random-Effects via Generalized

Least Squares (GLS) regression were applied to analyze the data. Results showed that all components of intellectual capital used in this study were not statistically significant predictors of financial performance at a significant level, as the value of the Wald chi-square was insignificant. The regression results showed poor explanatory ability with a negligible contribution to financial performance. The findings imply that firm-specific heterogeneity, as opposed to intellectual capital revaluations across time, is a great source of financial performance. Though the intellectual capital has theoretical significance as far as the financial performance of the Nigerian manufacturing sector is concerned and seems minimal. The study recommended that manufacturing firms ought to do a better job of recognizing and reporting on the components of intellectual capital; and policymakers need to come up with uniform reporting framework to enhance financial transparency, comparability and strategic thinking in emerging markets.

Jasiyah & Katjina (2025) examined the role of digital human capital with intellectual capital in strengthening public governance plus financial accountability. The rapid advancement of digital technologies and the growing demand for public accountability have positioned digital human capital and intellectual capital as critical drivers of strengthening local government governance. This study examines the role of digital human capital and intellectual capital in enhancing public governance and sustainable regional financial performance accountability. This study employs a qualitative approach through a systematic literature review, drawing on peer-reviewed articles, government reports, and case studies published between 2010 and 2023. The findings show that digital human capital improves public service delivery and citizen engagement, while intellectual capital, comprising human, structural, and relational capital, enhances resource management and governance processes. The review also identifies challenges such as the digital divide and resistance to change that hinder the effective integration of these forms of capital. The paper suggests that integrating digital and intellectual capital can significantly improve financial accountability and governance outcomes, particularly in developing countries, where challenges to digital transformation are prevalent. However, further empirical studies are needed to explore the long-term impact and practical application of these resources in local government settings.

Pasigai *et al.* (2025) investigated on human capital management in the digital ESG era: A systematic review of trends, gaps, strategic implications. Human capital management (HCM) is undergoing a transformative shift, driven by rapid digitalization and rising environmental, social, and governance (ESG) expectations. This systematic literature review aims to synthesize existing research on how digital tools and ESG frameworks are reshaping HCM strategies, practices, and outcomes across sectors. A structured review of peer-reviewed articles from 2015 to 2025 was conducted across Scopus. Thematic analysis identified six key areas: digital transformation and data-driven HCM, ESG-aligned and sustainable HCM strategies, quantification of human capital value, sector-specific adaptations, leadership and engagement mechanisms, and implementation challenges with ethical implications. Findings reveal that AI, predictive analytics, and human resource information systems (HRIS) are optimizing workforce planning, while ESG-integrated practices

enhance organizational legitimacy and stakeholder trust. New performance metrics such as moral quotient indices and multi-criteria decision-making models are enabling more holistic evaluations of human capital investments. Sectoral variations and leadership styles significantly shape implementation success, and engagement acts as a consistent mediator in driving performance outcomes. Ethical risks such as algorithmic bias, surveillance, and data privacy violations present persistent challenges, necessitating transparency frameworks, fairness audits, and employee-centered governance. This study advances the literature by offering an integrated framework that connects technological innovation, ESG accountability, and strategic workforce development. The findings have implications for both practitioners and researchers seeking to future-proof human capital strategies in a volatile global landscape.

Eneh *et al.* (2025) investigated the influence of investment in human capital on the listed manufacturing firms' financial performance in Nigeria. Adopting an ex-post facto design, the study examined the experience of 38 listed manufacturing firms during the period 2014-2023. The study specifically examined the influence of the efficiency of human capital and employees' compensation on the return on assets and the operation expenses. The firms' annual reports provided the source of the data that were analyzed using descriptive correlation analysis and least square regression analysis. The findings of the study identify that HCE has a positive and significant influence on the ROA ($\beta = 1.5329$, $p < 0.05$), indicating that firms with higher human capital efficiency experience good financial performance. The employees' compensation also has a positive and significant influence on the ROA ($\beta = 1.0265$, $p < 0.05$), indicating that higher compensation yields higher profitability possibly with the aid of higher productivity and employees' staff retention rates. HCE also has a marginally significant influence on the OPEX ($\beta = 0.0631$, $p < 0.05$), indicating that companies that invest in human capital might record higher operation expenses with the inclusion of training and staff development expenses. The findings emphasize the significance of strategic investment in human capital in influencing the performance of the firm while offsetting the associated expenditure. The study advises that manufacturing companies optimize human capital efficiency with the development of skills and the use of performance-based compensation schemes and adopt the use of optimization of expenditure strategies to enhance profitability.

Mohd *et al.* (2025) examined human capital and leadership as drivers of cooperative performance: A conceptual study. This conceptual paper develops a cross-context framework explaining how human capital influences cooperative performance, with leadership acting as a moderating factor across diverse cooperative environments. Anchored in the Human Capital Theory (HCT) and the Resource-Based View (RBV) theory, the paper conceptualises knowledge, skills, and experience as strategic resources that enhance cooperatives' financial, social, and governance outcomes. Drawing on evidence from Malaysia and comparative insights from Vietnam, Ethiopia, and other international settings, the model proposes that leadership, particularly transformational, participative, and servant styles, serves as a dynamic capability that activates and aligns human capital for sustainable performance. The framework advances theoretical understanding by positioning leadership as an

orchestration mechanism within RBV, transforming HC into sustained cooperative advantage. Practically, it guides policymakers and cooperative boards to strengthen leadership development, digital readiness, and knowledge-sharing ecosystems. Socially, it underscores cooperatives' role in promoting inclusive growth, community resilience, and sustainable livelihoods, aligning with global Sustainable Development Goals (SDGs).

Bangara *et al.* (2024) examined the relationship between human capital disclosure and firm value in Kenyan and South African listed companies. The study was based on the stakeholder and Legitimacy theories. 209 listed companies formed the population of the study. Out of this population, a sample of 137 companies was purposefully selected, comprising 19 firms listed in the NSE, Kenya, and 118 companies listed in the JSE, South Africa. Data was collected from secondary sources involving audited annual integrated reports and financial statements of the targeted companies. Tobin's Q ratio was used as a surrogate for Firm Value, as human capital disclosure was measured using an unweighted disclosure index. Preliminary analyses were conducted, such as descriptive statistics and correlation matrix. To test the hypothesized relationship, regression techniques were employed. The results signified that human capital disclosure had a statistically significant negative effect on firm value for Kenyan listed companies, while South Africa affirmed positive and significant results. The study therefore recommended that Kenya-listed companies should be obligated to adopt and apply integrated reporting in relation to human capital disclosure aspects, as this would not only improve shareholder understanding of financial statements but also ensure appropriate valuation of the firm. Muthoni *et al.* (2024) studied the relationship between human capital disclosure and firm value of listed firms in Nairobi Stock Exchange. The firm's value was measured by Tobin Q. The population of the study consisted of 62 firms listed on Nairobi stock exchange from 2017 to 2021. Secondary data were used to extract data from audited financial statements. The data generated were analysed using both descriptive and inferential statistics, while correlation analysis was used to examine the relationship between variables while the multiple correlation was used to test the hypothesis. Their findings indicated a continuous declining trend in human capital disclosure from 2017 to 2021. Their findings also demonstrated a positive and significant relationship with Tobin Q suggesting that higher disclosure of human capital could enhance firm value.

Ojo & Umar (2024) examined the factors influencing human capital disclosure in corporate reports of 14 Nigerian deposit money banks. The research used secondary data from annual reports from 2014 to 2023, and logistics regression was used for data analysis. The results showed that managerial ownership positively affected human capital disclosure, leading to higher disclosure levels. This result aligned with previous studies showing a positive relationship between managerial ownership, institutional ownership, board financial expertise, board independence, and human capital disclosure. The study concluded that managerial ownership was a viable corporate governance mechanism for improved voluntary disclosures. It signalled the market positively and encouraged executive directors to focus on long-term viability and product quality. The study suggested that board financial expertise positively impacted human capital disclosure (HCD), suggesting that understanding accounting

principles and financial statements improved board oversight and shareholder interests. The study recommended that companies improve human capital disclosures in corporate reports, adopt robust methodologies, and encourage voluntary disclosure of value-added human resource activity.

Oshiole (2024) examined the effect of employee health and safety cost disclosure and on market value of listed consumer and industrial goods firms in Nigeria. The study adopted ex post facto and longitudinal panel research design and secondary data for the study were collected from the Nigerian Exchange Group covering the period of 2013 to 2022. The data were analysed using regression analysis technique. The findings of the study revealed that employee health and safety cost disclosure have a positive significant effect on market value. Also the findings indicate that effluent disclosure also have appositve but insignificant effect on market value. The study concludes that employee health and safety disclosure have significant effect on market value of consumer and industrial goods firms in Nigeria.

Zein & Septiani (2024) examined the effect of financial performance on capital expenditure, economic growth, human development index, poverty. Sound financial management will affect regional progress. Local governments must explore the potential to increase regional financial resources so that financial performance increases and encourages economic growth, improves the human development index, and reduces poverty. This study examines the effect of financial performance on capital expenditure, economic growth, human development index, and poverty. The study used a quantitative approach with path analysis, using secondary data on city/district government finances in Banten Province in 2018-2022. The study's financial performance results significantly affect economic growth as measured by the independence, effectiveness, fiscal decentralization, and dependency ratios. Financial performance, as measured by the independence ratio, effectiveness ratio, fiscal decentralization ratio, and dependency ratio, has an influence and is not significant on poverty. Financial performance, as measured by the independence ratio, effectiveness ratio, fiscal decentralization ratio, and dependency ratio, has an impact and is not significant on the human development index. Capital expenditure significantly influences financial performance measured by the independence ratio, effectiveness ratio, fiscal decentralization ratio, and dependency ratio on economic growth. It has a significant impact on mediating the human development index. Capital expenditure does not significantly judge financial performance as measured by the independence ratio, effectiveness ratio, fiscal decentralization ratio, and dependency ratio to poverty. Economic growth has no significant effect on mediating finance as measured by the independence, effectiveness, fiscal decentralization, and poverty dependency ratios. The human development index does not significantly mediate finance measured by autonomy, energy, fiscal decentralization, and dependency on poverty ratios.

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 - three (23) insurance companies listed on 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 proxy for financial performance. Secondary data were collected from the sampled insurance companies' annual reports and accounts over the period of study. Panel Least Square analysis method was used to analyze the collected data. The findings of the study revealed that employees' salaries and wages and employee's retirement benefits have significant positive impact, and employee's training costs and other employee's 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 additional benefits and focus on other factors that more directly influence their financial performance.

Jonck (2024) investigated on the impact of human capital revenue expenditure on the financial performance of small, medium-sized and micro-enterprises (SMMEs) within the South African informal sector. Quantitative data downloaded from the portal of Statistics South Africa specifically the National Survey of Employers and the Self-Employed, was utilised, yielding a final sample of 1658 respondents. Secondary data analysis was used as research technique. Inferential statistical analyses were performed to investigate the research hypotheses. Results established that human capital expenditure statistically significantly predicts the variance in annual turnover and net profit. More specifically, 15.3% of the variance in annual turnover and 20.4% of the variance in net profit could be attributed to human capital revenue expenditure. It is recommended that further research be conducted to verify the results presented as the current study is exploratory in nature.

Ogunjobi & Akinola (2023) examined the influence of human capital expenditures on market competitiveness in Nigerian service firms, including those in the financial services sector. Their study, which sampled 40 service firms, utilized a quantitative survey design coupled with multiple regression analysis. The authors found that investments in employee training, health and safety, and comprehensive benefits significantly enhanced market performance and financial stability. The study further noted that these investments reduced operational disruptions and boosted overall productivity, which in turn improved profitability. Their findings provide strong evidence that strategic human capital investments are a key driver of enhanced financial performance in competitive markets.

Idigo (2023) investigated the effect of intellectual capital on organizational productivity in selected manufacturing firms in South-East, Nigeria. The study was anchored on Human Capital Theory and adopted descriptive research survey design. The population of the study one thousand two hundred (1200). The statistical formula devised by Borg and Gall (1973) was employed to determine the sample size of two hundred and four (300). Multiple regression analysis were employed to analyze the data generated. The study concluded that intellectual capital had a strong positive significant effect on organizational productivity in manufacturing firms in South-East Nigeria.

Habib & Dalwa (2023) explored on the efficiency of intellectual capital (ICE) and working capital management (WCME) in the GCC industrial sector and its potential impact on firm performance. The data were gathered from Standard & Poor's database from 2015 to 2019. This study uses data envelopment analysis (DEA), regression analysis, and robustness tests to accomplish its aims. The results indicate that most firms do not employ their intellectual and working capital investments well and need improvement actions to achieve the best practices. The regression model results reveal that ICE and WCME significantly and positively influence firms' performance. The results of this study support the resource-based, trade-off, and pecking order theories. The study findings have important implications for many stakeholders; for example, they would be helpful for firm decision-makers in managing their investments in intellectual and working capital to achieve the best practices and improve a firm's performance. In addition, the findings would be helpful for financiers, because high-performance firms are likely to have more reasonable valuations that facilitate debt financing. Moreover, the findings have noteworthy implications for trading procedures as investors aspire to attractive economic returns for their investments in corporations that pasture ICE and WCME issues. Additionally, these findings have important implications for employee job satisfaction and retention by improving IC management.

Reason & Imo (2023) investigated on intellectual capital and financial performance using a causal study design. The study adopted ex-post facto research design on a population of twenty-six (26) insurance companies listed on the Nigeria stock exchange. The census method was adopted to opt for all of 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 were; descriptive statistics and multiple regression technique for the analysis 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 minimal significant and positive effect on Return on Asset. 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 in order to enhance financial reporting quality and performance within the context of satisfying the information need of stakeholders.

Izuchukwu (2023) examined the causal effect relationship that exist between intellectual capital and profitability of listed health care firms in Nigeria Exchange Group. The study used panel data and adopted ex-post facto research design. Four objectives and hypotheses formulated for the study were tested using data collated from financial report of the health care companies used in the study between 2011 to 2021 fiscal year. The data collated were analysed using regression analysis, however some preliminary analysis such as descriptive statistics, correlation analysis, as well as some diagnostic analysis like Shapiro wilk test normality test were carried out to ascertain the presence of multi-colinearity, and

the normality/fitness of the data used. The study finds that intellectual capital components have 53.5% impact on the profitability of health care companies in Nigeria. The finding from the specific objectives indicated that human capital, structural capital and capital employed have positive and significant effect on profitability of health care firms in Nigeria Exchange Group. While relational capital has positive but insignificant effects on profitability of health care firms. Based on the result and findings, the study recommends that management of Health care companies listed on the Nigeria exchange group promotes policies that would attract quality human capital and retaining them as this would enhance the possibility of achieving high profitability.

Daferighe & Edet (2022) investigated the effect of human capital costs on corporate productivity of ten selected firms on the Nigeria stock exchange. Structured questionnaire was administered to collected data. Multiple regression analysis was used to test the hypothesis of the study. Finding showed that there is a positive and significant relationship between human capital accounting and financial performance of selected firms.

Chukwu, *et al.* (2022) examined the effect of human capital on the market value of banks in Nigeria, using data on three proxies of human capital related to remuneration and staff strength. Relevant financial statement data for the period 2020 to 2020 were extracted from the annual reports and accounts of fourteen banks listed on the Nigerian Stock Exchange. Results of regression of stock price on the human capital indicators showed that only one variable – the proportion of highly paid employees - had a significant effect on the market value of firms. The findings suggested that investors' confidence increased with the strength of valuable stock of human capital in the payroll of banks.

Okafor *et al.* (2022) assessed the relationship between human capital expenditures and financial metrics in Nigeria's energy sector. They analyzed data from 300 employees across 15 energy firms using regression and correlation techniques. Their study revealed that higher spending on employee benefits, training, and health and safety was linked to improved operational efficiency and a higher return on assets. The research underscored the strategic role of human capital in boosting energy firm performance.

Adebisi & Musa (2022) evaluated the effects of human capital expenditures on innovation within Nigeria's technology firms. Their survey of 180 respondents was analyzed using path analysis. The study found that investment in employee training, particularly in technical skills, has a strong positive impact on innovation and market expansion. The authors stressed that fostering a knowledgeable workforce is key to driving technological advancements.

Duho (2022) examined the impact of intellectual capital and intangible value on the performance of listed non-financial firms in West Africa. The study used the Value Added Intellectual Coefficient (VAIC™) to measure intellectual capital performance (with components as ICE—Intellectual Capital Efficiency an additive measure of the next two metrics, HCE—Human Capital Efficiency, SCE—Structural Capital Efficiency and CEE—Capital Employed Efficiency), financial ratios to measure intangible value and return on assets to measure performance while controlling for firm-level and macroeconomic variables. Using the

panel-corrected standard error regression on 59 firms operating from 2007 to 2018, the study found that VAIC, ICE, HCE and SCE measures of intellectual capital are the pièce de résistance that drive the performance of firms. It is found that the relationship is curvilinear taking the shape of an inverted U. CEE does not drive the performance of firms, and asset tangibility inhibits performance but the investment in intangible fixed assets has a positive insignificant effect on performance. Firm size has a positive impact while financial leverage has a negative impact on performance. Human development does not drive performance but foreign direct investment and economic development do. There are country-specific insights where in Ghana intellectual capital and intangible value have a very strong positive effect on performance, followed by a relatively high impact in Cote D'Ivoire while there is a weak effect in the Nigerian context. The study also explores the effect of other variables such as firm size, financial leverage, human development, foreign direct investment and economic development. The findings are useful for policy, accounting, finance, economic and human resource practitioners as well as, for the academic community.

Odat & Bsoul (2022) studied The Role of Intellectual Capital in Firms' Performance and Market Value: Evidence from Jordan. The purpose of this study is to examine the association between intellectual capital efficiency and firms' financial performance and market value. The study employs the value-added intellectual coefficient (VAIC) model to measure intellectual capital efficiency. This model consists of three elements: human capital efficiency, structural capital efficiency, and capital employed efficiency. The study uses the return on assets (ROA) ratio to measure firms' financial performance and the market-to-book value (MBV) ratio as a measure of market value. Data for a sample of 113 manufacturing and service companies listed on the Amman Stock Exchange for 2014 to 2018 were analyzed using multiple regression analysis. The results indicate that VAIC has a significant positive relationship with a firm's financial performance, while it is unrelated to a firm's market value. Human and structural capital also have a positive influence on financial performance, but they have no relationship with market valuation. Capital employed is positively related to both financial performance and market value. The findings of this study would enable companies to better understand the role of intellectual capital in adding value for all stakeholders of the company. They may also bring standard setters' attention to the need for recognizing or disclosing intellectual capital either quantitatively or qualitatively within the accounting financial reports, which may have the potential to increase the credibility of financial reporting.

Ogbaro *et al.* (2022) examined the relationship between human capital development and performance of commercial banks in Osogbo, Osun State, Nigeria. This study investigated the relationship between human capital development on the performance of banks among the staff of commercial banks in Osogbo, Osun State, Nigeria. This was with the view to providing insight into the relevance of human capital development in contributing to the operational performance of banks in particular and the growth of the Nigerian banking industry in general. The study employed the use of survey design. The population of the study were the bank staff of commercial banks in Osogbo. The sample consisted of sixty (60) participants randomly selected from 12 commercial banks in the study

area. Data for the study was collected using questionnaires. Human capital development was measured using job training, enhanced welfare package, access to adequate medical services, education, improved remuneration, and information and communication technology development. On its part, the performance of commercial banks was measured using improvement in service delivery, providing employees with necessary skill to improve the quality of service provided to customers and promoting positive work attitude among employees. Others are increase in bank profits, achieving strategic objectives of the organisation as well as improvement of the performance level of the employees. Data obtained were analysed descriptively using frequencies and percentages Data collected were also analysed by inferential statistical procedure using correlation analysis. Results of the descriptive analysis showed that majority of the bank staff were female and most were below the age of 30. The findings also revealed that majority of them were single which reflects the preference of the banks for employees without marital ties. Results of the correlation analysis showed that human capital development contributed positively to the performance of commercial banks in Osogbo, Osun State, Nigeria. The study therefore concludes that human capital development is a crucial factor in enhancing the performance of commercial banks.

Aluwong (2022) investigated intellectual capital performance in Nigeria drawing samples from listed non-finance firms on the floor of the Nigerian Exchange Group market. The econometric techniques adopted in this study are the panel fixed and Random effect regression techniques. However, it was concluded that structural capital efficiency, capital employed efficiency and value-added intellectual coefficient significantly improve firm performance proxied by return on assets.

Adesanmi (2021) investigated the effect of intellectual capital on performance measures of listed non-financial companies in Nigeria between year 2007 and 2017. The study adopted ex-post facto research design Sample sizes of fifty (50) out of a population of eighty (80) listed nonfinancial firms on Nigerian Stock Exchange as at December 2018 were purposively selected for the study. Data collected were analyzed using descriptive statistics and panel regression analysis. The results of the study revealed that intellectual capital had a significant effect on return on assets.

Amahalu *et al.* (2021) studied the effect of human resource investment on financial performance of quoted deposit money banks in Nigeria, it specifically aimed to estimate the effect of human resource cost on return on asset, return on equity, and market-to-book value of relevant banks from 2009-2019. Adopting ex-post facto research design, secondary data were obtained from factbooks of the Nigerian stock exchange. While STATA 13 statistical application was used for inferential statistics, Coefficient of correlation and Ordinary Least Square (OLS) regression analyses were used for estimating the test result. The researchers found that human resource accounting has positive and statistically significant effect on Financial Performance at 5% level of significance.

Olawale *et al.* (2021) researched on the impact of human capital investments on service quality in Nigeria's retail industry. They surveyed 250 employees from various retail outlets and used ANOVA alongside regression analysis.

Their findings confirmed that investments in employee training and health and safety significantly enhanced service delivery, which in turn improved customer loyalty and sales performance. The study argued that these investments are critical for sustaining retail competitiveness.

Uzoamaka & Nweze (2021) investigated the effect of human capital investment on corporate performance: A cross-sectional study of selected quoted companies in Nigeria. Quantitative correlational design and stratified random sampling techniques were employed and analysis was done using SPSS 20 and Person correlation. The findings state that there is a positive effect on investment in human capital measured in value-added to employee and profitability while some employees hurt profitability.

Eke (2021) examined the effect of human capital costs on corporate productivity of ten selected firms. Structured questionnaire was administered to collect data. Multiple regression analysis was used to test the hypothesis of the study. Finding showed that there is a positive and significant relationship between human capital accounting and financial performance of selected firms. He stated that corporate entities need to build capacity to drive the process and revisit their operational and internal control systems.

Channar, *et al.* (2021) assessed the impact of Human Capital Variables i.e. acquisition of knowledge, skills and expertise of the employees on the satisfaction of the employees and then on the effectiveness of the organizations. Simple random probability method was used for sampling selection and primary data was collected by administering questionnaires. Independent Samples T- Test showed that both genders are provided equal chances of human capital development. Effectiveness of the organization was measured by assessing the satisfaction and commitment level of the employees and customers with the organization. Satisfaction and commitment were measured by already established tools. Correlation technique showed that human capital development has strong significant positive relation with satisfaction level of the employees' and customers, which will eventually lead to the organizational performance.

Odhong & Omolo (2021) delved into the effect of Human Capital Investment on Organizational Performance of Pharmaceutical Companies in Kenya. The independent variables include: training, education, knowledge management and skills development. The main underpinning theories in this study include: Human Capital, Skill Acquisition and Sustainable Resource Theory. 200 observations were used in the study. Study used questionnaires in data collection, descriptive and inferential statistics used in the analysis. The found a positive significant relationship between human capital investment and organizational performance.

Eliasson & Braunerhjelm (2021) examined human resource investments and organization's competence. human resource investments have a significant positive correlation with an increase in an organization's competence on 137 Swedish engineering organizations shows that the financial outcomes of human resource investments have a significant positive correlation with an increase in an organization's competence, shares and added value. Research among top U.K. organizations, as well as similar investigations carried out in the U. S. and other European countries, further, confirm that human resource measurement and reporting can

lead to improved profitability and competitiveness of an organization.

Darlington (2021) investigated the relevance of human capital investment information on the market value of 50 quoted manufacturing companies in Nigeria. Adopting secondary data obtained from the Annual Reports and Fact Books of the Nigerian Stock Exchanged for the period, 2007 to 2020. Pooled ordinary least square (OLS) and Fixed Effect Model (FEM) were used for data analyses. The test result revealed positive substantial relevance of human capital cost ($\beta=0.02$, $t=2.42$, $p<0.05$) with share price.

Chukwu & Nwachukwu (2021) investigated the impact of human capital investments on operational efficiency in Nigeria's insurance sector. Using a sample of 35 insurance firms, they employed a mixed-method approach and regression analysis to explore the relationships between employee training, competitive salaries, and operational performance. Their findings revealed that improvements in staff development significantly enhanced operational efficiency and boosted return on assets. The study underscored that investments in employee training not only improve productivity but also mitigate operational risks. These results suggest that a focus on human capital development is vital for sustaining financial competitiveness in the insurance industry.

Doyle (2021) studied the effect of human resource investment on financial performance of quoted deposit money banks in Nigeria, specifically aimed to estimate the effect of human resource cost on return on asset, return on equity, and market-to-book value of relevant banks from 2000-2019. Adopting ex-post facto research design, secondary data were obtained from factbooks of the Nigerian stock exchange. While STATA 13 statistical application was used for inferential statistics, Coefficient of correlation and Ordinary Least Square (OLS) regression analyses were used for estimating the test result. The researcher found that human resource accounting has positive and statistically significant effect on Financial Performance at 5% level of significance. It was therefore recommended among other things that Human Resource should be capitalized in the statement of financial position to facilitate better investment decision.

Wembe (2021) investigated the relevance of human capital investment information on the market value of 50 quoted manufacturing companies in Nigeria. Adopting secondary data obtained from the Annual Reports and Fact Books of the Nigerian Stock Exchanged for the period, 2007 to 2020, Pooled ordinary least square (OLS) and Fixed Effect Model (FEM) were used for data analyses. The test result revealed positive substantial relevance of human capital cost ($\beta=0.02$, $t=2.42$, $p<0.05$) with share price.

Chukwu & Nwachukwu (2021) examined the relationship between Intellectual Capital and firms' performance on the selected manufacturing companies in Nigeria. Data were collected from the selected manufacturing companies' Annual Reports covering the period of 2009 to 2018. Panel data regression techniques were adopted for analysis. The proxies for intellectual capital are; human capital efficiency, structural capital efficiency and capital efficiency while proxy for performance is return on assets. The findings revealed that intellectual capital has positive and significant relationship on firm's performance. Capital Employed efficiency (CEE) and structural capital efficiency (SCE) are

positively and significantly related to return on assets (ROA) Human Capital Efficiency (HCE) and Value Added Intellectual Capital (VAIC) are negatively and significantly related to Return on Assets (ROA). The study implies that investment on Training and Development affects organizations' growth. Originality/Value Added: Based on the findings and conclusion, it was recommended that manufacturing companies should invest on human capital in order to meet up with the technological advancement. Also manufacturing companies should strengthen the human capital department so as to enhance firm's performance.

Sulaiman *et al.* (2021) studied the Intellectual capital efficiency and market based financial performance: Evidence from listed conglomerate companies. Having observed the rate at which dissimilarity occurs between market and book value, and management ignorance concerning the impact intellectual capital disclosure has on companies' values spurred the interest to probe the association between the efficiency of value-added intellectual coefficient (VAIC) and market-based financial performance of listed Nigerian conglomerate companies. To accomplish the purpose of this study, secondary data were employed and extracted from annual audited reports of listed conglomerate companies in Nigeria from the period of 2010–2018. The data obtained were subjected to static panel data regression analysis technique. The random-effects model was adopted because the empirical result from Breusch and Pagan Lagrangian multiplier (BP-LM) and Hausman tests chose it over the fixed-effects model to produce better results. This study revealed that the value-added efficiency of capital employed (VACA), value-added efficiency of human capital (VAHU), and value-added efficiency of structural capital (STVA) are the drivers of intellectual capital in the conglomerate sector. This study concluded that elements of intellectual capital have a strong power on market-based financial performance. This study recommends that information on intellectual capital components should be reported in ways they deem fit by developing a model of intellectual capital disclosure that complies with the International Accounting Standard Board (IASB).

Duho & Agomor (2021) assessed the nexus between intellectual capital and the performance of listed non-financial firms in West Africa while controlling for some firm-specific and country-specific factors. The study used the Value Added Intellectual Coefficient (VAICTM) to measure intellectual capital performance while return on asset measures profitability. Panel-corrected standard error regression was used analyzing the data gathered spanning through 2007 to 2018. It was submitted that intellectual capital has an inverted U-shaped nexus with performance.

Ullah *et al.* (2021) examined the Impact of intellectual capital efficiency on financial stability in banks: Insights from an emerging economy. The paper aims to address the long-term and short-term effects of intellectual capital efficiency (ICE) on Pakistan's bank stability together with the banking system's inherent factors. The ICE is measured through the VAICTM model and consists of human, rational, and structural capitals. The auto-regressive distributed lag estimation technique results underwrite that an increase in ICE leads to better bank stability and endorses the resource-based theory. Apart from that, findings show the long-term role of ICE in bank stability, although statistics depict no short-term role in this regard. The efficiency ratios, risk-

based capital, leverage, and bank size shows a positive impact in the short run. In the long run, the risk-based capital and leverage show a decisively positive influence, while the bank size and efficiency ratio show a negative effect. Findings can be used to increase intangible investments to build a sustainable competitive advantage based on the resource-based approach. The upcoming review is expected to consider the Fintech effect.

Owolabi & Obida (2020) examined the link between human resource investment and financial performance of firms in Nigeria. Their central objective was to determine the extent of influence from human resource expenditure on firms' profit after tax (PAT), total revenue (TR), and net asset (NA) for 2000 to 2018 reporting years. Adopting multiple regression analysis through the use of SPSS, the hypotheses were tested at 5% level of significance. The test result indicated that personnel benefit cost (PBC) positively and significantly influence PAT, but negatively impact on the Net Asset. The researchers therefore suggested that Firms should imbibe the culture of training, developing, and motivating the workforce to deploy their best expertise for the financial growth of their organizations.

Nwankwo & Ibe (2020) studied the influence of human capital investments on the operational performance of manufacturing firms in Nigeria. Their survey spanned 200 firms and utilized both primary and secondary data. The results showed that expenditures on employee benefits and skills training directly increased production efficiency and product quality. The study recommended that firms allocate more resources to staff development to remain competitive.

Groth & Kinney (2020) examined the financial performances of local banks in Malaysia for 2020 to 2021 and 2007 to 2021. The researchers utilized value added intellectual coefficient (VAIC) model in the evaluation of financial performances of 10 local banks in Malaysia. VAIC was further denominated into human capital efficiency (HCE), structural capital efficiency (SCE), and capital employed efficiency (CEE). Adopting causal comparative research design and secondary data, the regression analysis indicated that CEE is significantly associated with Return on Assets (ROA) for the 6 years and 10 years. While HCE is significantly related with ROA for only the 6 years, SCE revealed a significant nexus with ROA for only the 10 years. In another related outcome, SCE showed a significant relationship with Leverage (LEV) for only the 6 years compared to a significant association between HCE and LEV for the 10 years. Banks were therefore recommended to focus on all the components of IC since all their efficiencies are capable of enhancing financial performances in the sector.

Inua & Oziegbe (2020) examined the effect of human resource investment on the performance of quoted banks in Nigeria. The annual reports of 18 quoted commercial banks from 2009-2018 reporting years were analysed through ex-post facto research design. Adopting regression analysis for testing the effect of some human resource accounting determinants, such as staff cost, remuneration of directors, size of workforce, and size of firm. The results indicated significant positive effect by staff cost, staff strength, and size of firm on financial performance of quoted banks in Nigeria. However, directors' remuneration had no significant relationship on financial performance.

Mohammad, *et al.* (2020) examined the linkage between human resource investment and the financial performance

utilising survey approach Focusing on the twenty (20) private commercial banks in Bangladesh, the regression model found a significant positive correlation between human capital investment (in salaries and allowances, provident fund and gratuity, bonus and incentives, staff welfare and training, workshop, and seminar) and financial performance of the selected banks. The questionnaires were administered to 120 bank executives.

Mbah, *et al.* (2020) evaluated the effect of human capital investment on organizational performance in manufacturing industries in South-East Nigeria. Analysis of 306 respondents revealed that knowledge had a positive effect on product quality while skills promoted innovation. Also using survey approach. The study thus posited that training of staff to acquire knowledge and skill will enhance productivity and market share of the firms. The study utilised ANOVA technique. Beyond the context of organization.

Kasoga (2020) examined on how investing in intellectual capital improve financial performance? Panel evidence from firms listed in Tanzania DSE. Despite that reviews have been done in intellectual capital and the performance of firms, their status has remained uncertain in the emerging economy. Previous studies have generally focused on single industries and have overlooked the input of the service and manufacturing sectors as a whole. This study offers new insight into the area of intellectual capital and its relationship with firms' performance in Tanzania and evaluates intellectual capital within the service and manufacturing sectors in totality. Using panel regression analysis for the periods of 2010 to 2019, the performance was measured in terms of SG, ROA, ATO, and Tobin's. Heteroscedasticity and endogeneity were controlled using clustered robust standard errors. The empirical findings demonstrate a significant positive influence between structural capital efficiency and SG, ROA, ATO, and Tobin's. However, the effect of human capital efficiency and capital employed efficiency were negative which suggests poor investment in human skills and capital of the firms. Further, VAIC was significantly positively associated with SG, ATO, ROA, and Tobin's Q. It is recommended that to have a competitive advantage, managers and policymakers should focus on the three parts of intellectual capital which are the key drivers of value creation in the organization.

Natsir & Bangun (2020) examined the Role of Intellectual Capital in Increasing Company Value with Profitability as an Intervening Variable. The company's current value is not only determined by tangible assets. The ability of intangible assets in increasing company value today is very interesting to be studied. Intellectual Capital is an intangible asset in the form of knowledge, talents, skills, information, networking that can be managed by a company to increase its competitive ability. This study investigated the effect of intellectual capital on firm value both directly and indirectly with profitability functioning as an intervening variable. The firm value as a dependent variable is proxied by Tobin's Q, while the profitability variable that functions as an intervening variable is proxied by ROA. Intellectual capital is measured using VAIC, which consists of 3 measurement components, that is Value-Added of Human Capital (VAHU), Value-Added of Employed Capital (VACA), and Structural Capital Value-Added (STVA). The research method used multiple regression analysis tools with a panel

data approach and path analysis. The subject of this study is companies that are in the hotel, restaurant, and tourism subsector, which are listed in the Indonesia Stock Exchange in the 2014-2018 period selected using purposive sampling techniques. Research data is in form of secondary data extracted from the company's financial statements during the study period. The results show that profitability, VACA, and VAHU directly affect the value of the company, while only VAHU directly affected the profitability of the company. Meanwhile, in the indirect relationship using the Sobel-Test, the results show that the profitability of the company can only mediate VAHU toward the company value, but profitability cannot mediate the effect of VACA and STVA on company value.

Xu & Liu (2020) examined The Impact of Intellectual Capital on Firm Performance: A Modified and Extended VAIC Model. Intellectual capital (IC) is generally understood as an important driver of firm competitiveness improvement and value generation in the knowledge economy. The manufacturing industry, the backbone of the South Korean economy, is coming under increasing international pressure. In order to increase the competitiveness of Korean industry, the main objective of this paper is to examine the impact of IC and its components on the performance of Korean manufacturing firms over the period 2013–2018. The modified and extended Value Added Intellectual Coefficient (VAIC) model was adopted to more accurately measure IC, and firm performance was systematically and comprehensively measured in three distinct parameters: profitability, productivity and market value. Our regression results show that physical capital was the most influential factor to firm performance; human capital was viewed as a performance enhancing measure; structural capital had no significant impact on firm performance; and innovation capital and relational capital hurt a firm's profitability. It is also evident that the modified and extended VAIC model performs better than the original VAIC model proposed by Pulic (1998). This study extends the understanding of IC in achieving a competitive edge in the manufacturing sector, with IC representing a valuable platform for the sustainable development of the manufacturing sector in emerging Asian markets.

Anifowose (2020) examined the intellectual capital (IC) disclosure effect on the market value of the companies listed on the Nigerian Stock Exchange main-board. The hypothesis for the study is formulated using the signaling theory. Using content analysis of sampled 30 most capitalised companies, the study generates IC disclosure scores from annual reports. IC is surrogated with customer capital, protected capital, human capital, innovation capital and process capital. At the same time, corporate market value is proxied with a market capitalization in the study. Using the ordinary least square method, this study longitudinally examined the connection between market capitalization and IC disclosure quality using data between the 2016 and 2018 financial years. The result shows that the listed companies' corporate market value and the overall IC disclosure are significantly and positively correlated. The study recommends that managers disclose adequate information on IC because it influences investors decisions and activities at the capital market.

Buallay *et al.* (2020) examined the efficiency of GCC banks: The role of intellectual capital. This study aims to examine the impact of intellectual capital (IC) efficiency on

bank's operational, financial and market performance. The study examined 59 banks for 5 years to ends up with 295 observations. The independent variable is the modified value added IC component; the dependent variables are performance indicators (return on assets [ROA], return on equity [ROE] and Tobin's Q [TQ]). The findings deduced from the empirical results demonstrate that there is a positive relationship between intellectual capital efficiency and financial performance (ROE) and market performance (TQ). The results of this study may give a wake-up call for banks to examine the reasons of imperfect relationship between the IC and asset efficiency (ROA).

Nazir *et al.* (2020) examined Intellectual capital performance in the financial sector: Evidence from China, Hong Kong, and Taiwan. It is no doubt that successful organizations tend to be those that persistently innovate, believing on new technologies and emphasizing on abilities and knowledge of their employees. Knowledge has become one of the most imperative intangible assets of financial institutions in recent years. The aspiring organizations have recognized that Intellectual Capital Efficiency is important in promoting the performance of financial institutions. This paper tests the relationship between intellectual capital and performance using a sample of 76 financial institutions from Mainland China, Hong Kong, and Taiwan over the period 2006–2016. The results show that intellectual capital efficiency has a significant and positive impact on the profitability of financial institutions, while human capital and structural capital are not significantly related to the performance of financial institutions in Taiwan and Hong Kong. The present research extends the knowledge of intellectual capital between managers, academicians, and highlights its contribution to the value creation. These results determine that the financial institutions need to emphasize on the elements of intellectual capital, to enhance the best financial performances in these countries.

Kaka (2019) assessed the effect of investment in human capital on the performance of Nigeria insurance companies. The study covers insurance companies quoted on the Nigerian stock exchange as at August 2017. A sample size of 28 insurance companies was obtained. Secondary source of data was used for the data collection, staff training, salaries and allowances was used as the proxy for human capital investment while Market price per share, earning per share and Net profit margin were used as the proxies of performance. Regression was used to test the effect of human capital investment on financial performance while Human Capital Efficiency Coefficient was used to test the efficiency of human capital in Nigerian insurance companies. The study found that there is significant relationship between MPS and human capital investment; there is no significant relationship between EPS and human while there is no significant relation between NPM and human capital. The study also found that human capital investment has positive impact on the efficiency of insurance companies' employees.

Akinbor & Okoye (2019) Investigating further into firms' financial performance and human resource investment disclosure in Nigeria, utilized descriptive, correlation and regression statistical models for data analyses and for estimating test results. Their findings revealed that the multiplicative effect of firms' Financial Performance

contributed 75.9% of the variation in Human Resource investment Disclosure (HRID) with an F– ratio of 3.581 at 5% level of significance. The observed positive association between Return on Equity (ROE) and Human Resource investment Disclosure (HRID) implied that increase in return on equity encouraged firms to report their human capital information. Thus, strengthening the confidence of stakeholders, enhancing external reputation, and appearing more legitimate before members of the public. It was further concluded that human resource investment information of an organization is very relevant for decision management.

Zainabu *et al.* (2019) studied firms' financial performance and human resource investment disclosure in Nigeria. utilised descriptive, correlation and regression statistical models for data analyses and for estimating test results. Their findings revealed that the multiplicative effect of firms' Financial Performance contributed 75.9% of the variation in Human Resource investment Disclosure (HRID) with an F– ratio of 3.581 at 5% level of significance. The observed positive association between Return on Equity (ROE) and Human Resource investment Disclosure (HRID) implied that increase in return on equity encouraged firms to report their human capital information. Thus, strengthening the confidence of stakeholders, enhancing external reputation, and appearing more legitimate before members of the public. It was further concluded that human resource investment information of an organization is very relevant for decision management.

Ahesha & Sujani (2019) investigated the impact of investment in human capital on financial performances of the companies in Sri Lanka. In order to achieve the objective of the study, financial information in financial statements of listed companies under Colombo Stock Exchange for the period of 2 years from 2016 to 2018 was used. Sample of the study was selected as 40 companies listed under Colombo Stock Exchange. Data analysis was carried out with aid of SPSS (Statistical Package of Social Sciences). Findings revealed that there is a significant relationship between investment in human capital and firm financial performances. They recommended that investment in HC should include all the expenses incurred on enhancing knowledge, education, expertise and skills of employees. This may involve salaries and wages, training and development, payments for conventions and conferences, dues and subscriptions.

Eze *et al.* (2019) investigated the role of human capital expenditures in enhancing the financial performance of Nigerian banks. Drawing data from 50 banks, the study integrated survey responses with financial statement analysis. They employed multiple regression to reveal that competitive salaries and extensive training programs significantly improved profitability measures such as return on equity and net profit margin. The study highlighted that proper investment in employee welfare correlates with improved risk management.

Nnubia (2019), investigate the effect of intellectual capital on performance of non-financial firms in Nigeria. A sample of 21 Nigerian non-financial firms listed on Nigerian Stock Exchange for a period of 10 years (from 2007-2016) Data collected were analyzed using Ordinary Least Square Method. The results showed that for the Nigerian listed non-financial firms, the explanatory variables – capital employed

efficiency, human capital efficiency and structural capital efficiency has positive and significant effect on measurement of performance.

Adekunle *et al.* (2018) examined human capital expenditures in the Nigerian telecommunications sector. They collected data from 150 employees across 10 major telecom companies using a structured survey. The researchers applied structural equation modeling to demonstrate that investments in employee training and development substantially increased innovative output and customer satisfaction. Their study emphasized the importance of skill acquisition in sustaining competitive advantage.

3. Research Methodology

This chapter will focus on the research design, population of the study, sample size and sampling techniques. It also showed the sources of data and method of data collection, method of data analysis, model specification as well as measurements of variables.

3.1 Research Design

This study adopted the *ex-post* facto research design. This design will be suitable because the data for the analysis had already existed, leaving no room for the researcher to manipulate the variables under study.

3.2 Population of the study

The population consisted of seventeen (17) insurance firms as at 31st December, 2024 (NAICOM, 2024) from 2015 to 2024. The basis of selecting this time range is the availability of published annual reports and accounts for the selected firms, as well as the availability of reasonably priced, reliable and up-to-date financial data.

3.3 Sample size and sample size determination

A sample of thirteen (13) insurance firms were drawn from the total of insurance firms on the database of National Insurance Commission purposively. This is however subjected to a validity test using Tabachnick and Fidell (2007) formula. The Tabachnick and Fidell (2007) formula are given as follows;

$$n \geq 50 + 8(m)$$

Where;

n = number of pooled observations

m = number of predictor variables, i.e 5.

50+8(m) = minimum number of pooled observations

Therefore,

$$n \geq 50 + 8(5)$$

$$n \geq 90$$

Consequently, considering five (5) explanatory variables for this study, the minimum number of pooled observations stood at 90 while the number of pooled observations with a sample size of thirteen (13) over fourteen years' (2015-2024) period is 130 (i.e. 13 by 10).

The sampled thirteen (13) insurance markets were shown in Table 3.1 below:

Table 3.1: Selected Insurance Markets

S. No	Name of Insurance Markets	Ticker
1	African Alliance Insurance	AfriAlliance
2	AIICO Insurance	AIICO
3	AXA Mansard Insurance	AXA
4	Consolidated Hallmark Ins	Consolidated
	Cornerstone Insurance	Cornerstone
6	Guinea Insurance	GuineaInsurance
7	Standard Alliance Insurance	Standard Alliance
8	Coronation Insurance	Coronation
9	Enterprise Life Assurance Co. (Nigeria) Ltd	Enterprise
10	Heirs Life Assurance Ltd	Heirs
11	Prudential Zenith Assurance Company Limited	Prudential
12	Royal Exchange Prudential Life Plc	Royal
13	Tangerine Life Insurance Limited	Tangerine

Source: Researcher's Compilation (2026)

3.4 Sampling Technique

The purposive sampling method was used to select the sample size. Purposive sampling, which involves the deliberate selection of specific firms based on particular characteristics relevant to the study, is especially valuable in this context where the focus is on understanding the intricate relationship between human capital expenditures and financial performance within a specific sector.

3.5 Sources of data and method of data collection

The data for the dependent and independent variables were extracted from the financial report. The panel data methodology might suitable for the study.

3.6 Method of data analysis

The study adopted panel least squares regression in analyzing the data via E-views 10.0. The data conformed to the standardized regression assumptions, that is, linearity, homoscedasticity, normality and independence of data.

3.7 Model Specification

This study will focus on the relationship between human capital expenditures and financial performance of insurance firms. The independent variable of the study being the human capital expenditures (HCE) will be proxied by salaries of workers (SOW), health and safety cost (HSC), contributory pension cost (CPC), employee benefits (EMB) and employee training (EMT); while the dependent variable being the financial performance (FP) will be proxied by return on assets (ROA). Thus the first model is stated as follows:

$$FP = f(HCE) \quad (1)$$

The second model is decomposition of the human capital expenditures into their various proxies. Thus the second model can be developed as follows:

$$HCE = f(SOW, HSC, CPC, EMB, EMT) \quad (2)$$

The third model shows the measurement of the dependent variable as follows:

$$FP = f(ROA) \quad (3)$$

The final model shows the relationship between the proxies of the independent and dependent variables which was adapted from the earlier model of Atagboro and Ogiriki, (2022) and modified to suit the study as follows:

$$DAit = \beta_0 + \beta_1 SOW + \beta_2 HSC + \beta_3 CPC + \beta_4 EMBxp + \beta_5 EMT + \mu_{(4)}$$

Where;

ROA = Return on Assets

SOW = Salaries of workers

HSC = Health and safety cost

CPC = Contributory Pension Cost

EMB = Employee benefits

EMT = Employee training

β_0 = Intercept or regression constant

$\beta_1 - \beta_5$ = Regression coefficients to be obtained from the results of analysis of data

μ = Stochastic error term

3.8 Measurement of variables

The measurements of the independent and dependent variables employed in the study are explained in Table 3.1 below:

Table 3.1: Operationalization of variables

S. No	Variable	Measurement	Sources	Apriori sign
1	Return on Assets	(Profit After Tax/Total Assets) * 100	Ogunjobi and Akinola (2023)	
2	Salaries of workers	Log of Salaries of workers	Daferighe and Edet (2022)	+
3	Health and safety cost	Log of Health and safety cost	Amahalu <i>et al.</i> (2021)	+
4	Contributory pension cost	Log of Contributory pension cost	Uzoamaka and Nweze (2021)	+
5	Employee benefits	Log of Employee benefits	Odhong and Omolo (2021)	+
6	Employee training cost	Log of Employee training cost	Chukwu <i>et al.</i> (2022)	+

Source: Researchers operationalization (2026)

Table 4.2: Descriptive statistics results

	ROA	SOW	HSC	CPC	EMC	EMT
Mean	1.012000	4.165889	3.016511	2.737368	3.006551	3.501863
Median	3.270000	4.567851	3.429619	3.143949	3.420702	3.893495
Maximum	18.10000	6.042988	4.879172	4.672547	4.862530	5.366315
Minimum	-54.40000	1.894061	0.730246	0.421058	0.697811	1.217389
Std. Dev.	10.59418	0.944620	0.940956	0.968477	0.961449	0.945570
Skewness	-2.673826	-0.513498	-0.575111	-0.524733	-0.535967	-0.547742
Kurtosis	13.07992	2.019179	2.050138	2.054622	2.058702	2.022918
Jarque-Bera	705.2618	10.92396	12.05343	10.80690	11.02337	11.67169
Probability	0.000000	0.004245	0.002413	0.004501	0.004039	0.002921
Sum	131.5600	541.5656	392.1464	355.8579	390.8516	455.2422
Sum Sq. Dev.	14478.53	115.1075	114.2164	120.9952	119.2456	115.3393
Observations	130	130	130	130	130	130

Source: Researcher's computation using E-views 10.0 (2026)

The results as shown in Table 4.2 above reveals that the selected insurance firms in Nigeria consumer goods in Nigeria had average return on assets of 1.012% with minimum and maximum of -54.40% and 18.1% respectively. The mean scores for salaries of workers, health and safety cost, contributory pension cost, employee benefits and employee training cost were 4.165, 3.016,

3.9 Decision rule

The decisions were based on 5% level of significance. Accept null hypothesis (H_0) if probability value (i.e. P-value or Sig.) is greater than or equals to ($\geq$) stated 5% level of significance (α); otherwise, reject and accept alternate hypothesis (H_1), if p-value or sig. calculated is less than 5% level of significance.

4. Data Presentation, Analysis and Discussion of Findings

This chapter presents the data collected for the study, the analysis of the data using various statistical tools stated in the preceding chapter, the testing of the research hypotheses, and the discussion of findings based on the results interpreted.

4.1 Data Presentation

The data for this study is presented in Table 4.1 (See Appendix I). The data comprise a panel data of one hundred and thirty (130) observations across thirteen (13) selected insurance firms in Nigeria for ten (10) years (2015 to 2024). The data include the independent variable-Human capital expenditures proxied by salaries of workers, health and safety cost, contributory pension cost, employee training cost and employee benefits and the dependent variable-financial performance proxied by return on assets.

4.2 Data Analysis

Various statistical techniques were utilized in the analysis of data presented in Table 4.1 (see Appendix I). These include descriptive statistic technique, regression assumption tests and panel multiple regression analysis. The results from the panel multiple regression analysis were used in the testing of the research hypotheses which have been stated in the first section of this work.

4.2.1 Descriptive Statistics

This was conducted to understand the behaviour of the data using various statistics including mean, standard deviation, skewness, and kurtosis. The result for the descriptive statistics analysis is as presented in Table 4.2 below;

2.737, 3.00 and 3.501 with median values of 4.567, 3.429, 3.143, 3.421 and 3.893 respectively.

The standard deviations for these variables showed varying levels of variability, with return on assets having the highest dispersion (10.594), 0.944 for salaries of workers, 0.940 for health and safety cost, 0.968 for contributory pension cost, 0.961 for employee benefit and 0.946 for employee training

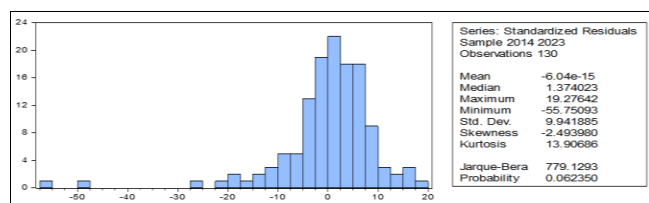
cost respectively. The skewness values indicate that the distributions were generally symmetrical, thus, negatively skewed.

The kurtosis values reveal that all variables had leptokurtic distributions, indicating the presence of outliers. The kurtosis values were 13.07 for return on assets, 2.019 for salaries of workers, 2.050 for health and safety cost, 2.054 for contributory pension cost, 2.058 for employee training cost and 2.023 for employee benefits respectively. The presence of outliers suggests that some listed consumer goods firms are experiencing extreme values for these variables, which could impact the accuracy of the findings.

4.2.2 Model Evaluation

The suitability of the data was assessed by conducting series of regression assumption tests. These tests include normality test, multicollinearity test and heteroscedasticity test.

4.2.2.1 Normality test



Source: E-views 10.0 Output (2026)

Fig 2: Jarque-Bera Normality test results

If the p-value associated with the Jarque-Bera test is below a predetermined significance level ($p < 0.05$), then we reject the null hypothesis and conclude that the data do not follow a normal distribution. With a p-value of 0.0623, there is sufficient evidence to conclude that the data were normally distributed.

4.2.2.2 Multicollinearity test

In examining the association among the variables, the study employed the Spearman Rank Correlation Coefficient (correlation matrix), and the results are as presented in the table below.

Table 4.3: Spearman's rank correlation matrix

	ROA	SOW	HSC	CPC	EMC	EMT
ROA	1.000000					
SOW	-0.314618	1.000000				
HSC	-0.419896	0.372506	1.000000			
CPC	0.125947	0.356484	-0.580632	1.000000		
EMC	-0.319971	0.269602	0.242346	0.430238	1.000000	
EMT	0.432709	-0.472317	0.351992	0.023130	0.018862	1.000000

Source: E-views 10.0 Output (2026)

The correlation analysis showed that all independent variables- Salaries of workers, health and safety cost, contributory pension cost, employee training cost and employee benefits over the period under study had coefficients lesser than 0.80 respectively confirming absence of multicollinearity issues.

4.2.2.3 Heteroscedasticity test

Table 4.4: Heteroscedasticity test results

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	121.5819	78	0.0712
Pesaran scaled LM	65.48513		0.0643
Pesaran CD	2.019221		0.0264

Source: E-views 10.0 Output (2026)

The statistics and probability value associated with the Breusch-Pagan LM test otherwise known as the Breusch-Pagan Godfrey test help determine whether there is evidence of heteroscedasticity in the regression model. A low p-value ($p < 0.05$) suggests evidence against the null hypothesis in favour of the alternate hypothesis which indicates the presence of heteroscedasticity in the regression model. With a p-value of 0.0712, there is sufficient evidence accept the null hypothesis, thus, conclude that the predictor variables in regression model were homoscedastic.

4.3 Regression Analysis

The results of regression analysis carried out are presented in Table 4.5 below:

Table 4.5: Panel multiple regression result

Dependent Variable: ROA Method: Panel Least Squares Date: 03/22/26 Time: 21:18 Sample: 2015- 2024 Periods included: 10 Cross-sections included: 13 Total panel (balanced) observations: 130				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-14.21133	7.736019	-4.837034	0.0016
SOW	-0.796028	4.265791	-3.186607	0.0023
HSC	-6.998190	8.990095	-0.778433	0.4378
CPC	1.949185	5.886246	0.331142	0.1411
EMC	-2.410620	6.930563	-4.347824	0.0006
EMT	11.86843	8.800569	3.348598	0.0099
R-squared	0.519351	Mean dependent var		1.012000
Adjusted R-squared	0.483841	S.D. dependent var		10.59418
S.E. of regression	10.14034	Akaike info criterion		7.515976
Sum squared resid	12750.50	Schwarz criterion		7.648324
Log likelihood	-482.5384	Hannan-Quinn criter.		7.569753
F-statistic	13.36058	Durbin-Watson stat		1.983007
Prob(F-statistic)	0.000095			

Source: Researcher's computation (2026) using E-views 10

The coefficients of the variables were extracted and fitted into the earlier formulated econometric model to obtain the multiple regression line is as written below:

$$ROA = -14.2113 - 0.7960SOW - 6.9982HSC + 1.9492CPC - 2.41062EMC + 11.8684EMT + \mu$$

The regression equation suggests that human capital expenditures have a significant impact on financial performance, proxied by return on assets (ROA). Specifically, the equation reveals that increased spending on salaries of workers (SOW) is associated with a -0.796 decrease in ROA, while increased spending on health and safety costs (HSC) is associated with a -6.998 decrease in ROA, implying that these expenditures may not be generating sufficient returns. In contrast, increased spending on contributory pension costs (CPC) is associated with a 1.949 increase in ROA, and increased spending on employee training costs (EMT) is associated with an 11.868 increase in ROA, suggesting that investments in employee training tend to improve financial performance. However, increased spending on employee benefits (EMC) is associated with a -2.411 decrease in ROA, indicating that excessive spending on benefits may not be beneficial for financial performance.

4.4 Test of hypotheses

Each of the hypotheses in this study was tested based on the result obtained from the panel multiple regression analysis as summarized in Table 4.5:

4.4.1 Hypothesis one

The null hypothesis one of this study was stated as follows:

H₀₁: Salaries of workers have no significant effect on the return on assets of insurance firms.

By way of testing whether the variations in financial performance as measured by return on assets caused by workers' salaries is significant. The T test was carried out at .05 significance level and $T_{cal} = 3.1866$, compared with T_{tab} of 2.1603, given at $T_{0.05,13}$. So far, the T_{cal} is greater than T_{tab} . Hence, the null hypothesis which states that salaries of workers have no significant effect on return on assets of insurance firms in Nigeria fails to hold, thus rejected, and the alternative hypothesis accepted. The null hypothesis is further rejected given that its probability value (p -value = 0.0023) is less than 0.05 ($p < 0.05$).

4.4.2 Hypothesis two

The null hypothesis two of this study was stated as follows:

H₀₂: Health and safety cost have no significant effect on the return on assets of insurance firms.

Regarding health and safety cost, the T test was carried out at .05 significance level and $T_{cal} = 0.7784$, compared with T_{tab} of 2.1603, given at $T_{0.05,13}$. So far, the T_{cal} is less than T_{tab} . Hence, the null hypothesis which states that health and safety cost has no significant effect on return on assets of insurance firms in Nigeria holds, thus accepted, and the alternative hypothesis rejected. The null hypothesis is further accepted given that its probability value (p -value = 0.4378) is greater than 0.05 ($p > 0.05$).

4.4.3 Hypothesis three

The null hypothesis three of this study was stated as follows:

H₀₃: Contributory pension cost has no significant effect on the return on assets of insurance firms.

Regarding contributory pension cost, the T test was carried out at .05 significance level and $T_{cal} = 0.3311$, compared with T_{tab} of 2.1603, given at $T_{0.05,13}$. So far, the T_{cal} is less than T_{tab} . Hence, the null hypothesis which states that contributory pension cost has no significant effect on return on assets of insurance firms in Nigeria holds, thus accepted, and the alternative hypothesis rejected. The null hypothesis is further accepted given that its probability value (p -value = 0.1411) is greater than 0.05 ($p > 0.05$).

4.4.4 Hypothesis four

The null hypothesis four of this study was stated as follows:

H₀₄: Employee benefits have no significant effect on the return on assets of insurance firms.

For employee benefits, The T test was carried out at .05 significance level and $T_{cal} = 4.3478$, compared with T_{tab} of 2.1603, given at $T_{0.05,13}$. So far, the T_{cal} is greater than T_{tab} . Hence, the null hypothesis which states that employee benefits have no significant effect on return on assets of insurance firms in Nigeria fails to hold, thus rejected, and the alternative hypothesis accepted. The null hypothesis is further rejected given that its probability value (p -value = 0.0006) is less than 0.05 ($p < 0.05$).

4.4.5 Hypothesis five

The null hypothesis four of this study was stated as follows:

H₀₄: Employee training cost has no significant effect on the return on assets of insurance firms.

For employee training cost, The T test was carried out at .05 significance level and $T_{cal} = 3.3485$, compared with T_{tab} of

2.1603, given at $T_{0.05,13}$. So far, the T_{cal} is greater than T_{tab} . Hence, the null hypothesis which states that employee training cost have no significant effect on return on assets of insurance firms in Nigeria fails to hold, thus rejected, and the alternative hypothesis accepted. The null hypothesis is further rejected given that its probability value (p -value = 0.0099) is less than 0.05 ($p < 0.05$).

4.5 Discussion of Findings

From the results of analysis in Table 4.5 above, the adjusted coefficient of determination stood at 0.4838 indicating that 48.38 percent of changes in the dependent variable, that is, return on assets, is accounted for by changes in the independent variable, which is human capital expenditures. The other 51.62 percent is accounted for by other factors not reflected in the model.

Discussions on specific findings are presented in subsequent sections.

4.5.1 Salaries of workers and return on assets

The finding that salaries of workers have a significant negative effect (Coeff. = -0.7960, p -value = 0.0023) on return on assets of insurance firms in Nigeria is noteworthy. This suggests that increased spending on salaries does not necessarily translate to improved financial performance. In fact, the negative coefficient indicates that a one-unit increase in salaries is associated with a 0.796 decrease in return on assets. This could be due to various factors, such as inefficient use of human resources, inadequate productivity, or excessive salary increases. Insurance firms in Nigeria should therefore review their salary structures to ensure they are not overspending on worker salaries. This is supported by studies such as Owolabi & Obida (2020), who found that personnel benefit cost had a negative impact on net asset. Similarly, Akinbor & Okoye (2019) found that human resource investment disclosure was positively associated with return on equity, implying that increased salaries may not necessarily translate to improved financial performance.

4.5.2 Health and safety costs and return on assets

The result that health and safety costs have no significant effect (Coeff. = -6.9981, p -value = 0.4378) on return on assets of insurance firms in Nigeria is interesting. Despite the relatively large negative coefficient, the p -value indicates that the relationship is not statistically significant. This suggests that health and safety costs may not be a significant driver of financial performance in the Nigerian insurance industry. However, it is essential to note that health and safety costs are still a crucial aspect of business operations, and insurance firms should continue to prioritize these expenses to ensure compliance with regulatory requirements and maintain a safe working environment. This aligns with Chukwu *et al.* (2025), who found that staff health investment had a positive but insignificant relationship with returns on equity. Similarly, Ogunjobi & Akinola (2023) found that investments in health and safety had a positive but insignificant impact on market performance.

4.5.3 Contributory pension cost and return on assets

In contrast to the findings on salaries and health and safety costs, the result that contributory pension costs have no significant effect (Coeff. = 1.9491, p -value = 0.1411) on return on assets of insurance firms in Nigeria is somewhat surprising. Given the importance of pension costs in attracting and retaining top talent, one might expect a

significant relationship between pension costs and financial performance. However, the findings suggest that pension costs may not be a significant driver of financial performance in the Nigerian insurance industry. The finding that contributory pension costs have no significant effect on return on assets is supported by studies such as Chukwu *et al.* (2025), who found that staff welfare investment had a positive but insignificant relationship with returns on equity. Similarly, Inua & Oziegbe (2020) found that staff cost had a positive but insignificant impact on financial performance.

4.5.4 Employee benefits and return on assets

The finding that employee benefits have a significant negative effect (Coeff. = -2.4106, p-value = 0.0006) on return on assets of insurance firms in Nigeria is striking. This suggests that increased spending on employee benefits is associated with decreased financial performance. The negative coefficient indicates that a one-unit increase in employee benefits is associated with a 2.410 decrease in return on assets. Insurance firms in Nigeria should therefore review their employee benefits packages to ensure they are not overly generous and negatively impacting financial performance. This is consistent with studies such as Owolabi and Obida (2020), who found that personnel benefit cost had a negative impact on net asset. Similarly, Akinbor & Okoye (2019) found that human resource investment disclosure was positively associated with return on equity, implying that increased employee benefits may not necessarily translate to improved financial performance.

4.5.5 Employee training cost and return on assets

The result that employee training costs have a significant positive effect (Coeff. = 11.66843, p-value = 0.0099) on return on assets of insurance firms in Nigeria is highly encouraging. This suggests that investments in employee training and development are associated with improved financial performance. The positive coefficient indicates that a one-unit increase in employee training costs is associated with an 11.668 increase in return on assets. Insurance firms in Nigeria should therefore prioritize investments in employee training and development to drive financial performance and remain competitive in the industry. This agrees with the findings of Chukwu *et al.* (2025), who found that investments in staff training and retraining had a positive and significant relationship with returns on equity. Similarly, Ogunjobi & Akinola (2023) found that investments in employee training had a positive and significant impact on market performance.

5. Summary, Conclusion and Recommendations

This chapter summarizes the research findings, gives recommendations and suggestions for further studies. It also discusses this present study's key contributions to knowledge.

5.1 Summary of Findings

This study examined the effect of human capital expenditures on financial performance of insurance firms in Nigeria. The study covered a period of ten years. The independent variable-Human capital expenditures was proxied by salaries of workers, health and safety cost, contributory pension cost, employee training cost and employee benefits and the dependent variable- financial performance was proxied by return on assets. Below is a summary of findings gathered through a panel multiple regression analysis.

1. Salaries of workers have significant effect (Coeff. = -0.7960{0.0023}) on return on assets of insurance firms in Nigeria. This indicates that increase in salaries will lead to reduction on financial performance of insurance firms in Nigeria.
2. Health and safety cost have no significant effect (Coeff. = -6.9981{0.4378}) on return on assets of insurance firms in Nigeria. This indicates that a unit change in health and safety cost does lead to significant change in financial performance of insurance firms in Nigeria.
3. Contributory pension cost has no significant effect (Coeff. = 1.9491{0.1411}) on return on assets of insurance firms in Nigeria. This shows that increase in contributory pension cost does not significantly affect financial performance of insurance firms.
4. Employee benefits have significant effect (Coeff. = -2.4106{0.0006}) on return on assets of insurance firms in Nigeria. This shows that a unit increase in employee benefits will lead to increase in the value financial performance of insurance firms in Nigeria.
5. Employee training cost has significant effect (Coeff. = 11.66843{0.0099}) on return on assets of insurance firms in Nigeria. This indicates that a unit change in employee training cost will lead to increase in return on assets and ultimately increase in financial performance of insurance firms in Nigeria.

5.2 Conclusion

This study examined the effect of human capital expenditure on the financial performance of insurance firms in Nigeria, covering a period of ten years. The findings provide valuable insights into the relationship between investments in human capital and financial outcomes. The study's results suggest that human capital expenditure can have a significant impact on the financial performance of insurance firms, highlighting the importance of strategic investments in employees. For firms to invest in their employees, they tend to potentially improve their financial outcomes, ultimately contributing to the growth and development of the insurance industry in Nigeria. Consequently, the study concludes that human capital expenditures have significant influence on financial performance of insurance firms in Nigeria.

5.3 Recommendations

Based on the findings of the study, the following recommendations should be adhered to:

1. Insurance firms in Nigeria should review their salary structures to ensure they are not overspending on worker salaries, as the study found a significant negative relationship between salaries and return on assets.
2. Although the study found no significant relationship between health and safety costs and return on assets, insurance firms should still monitor and control these costs to ensure they are not excessive.
3. The study found a significant positive relationship between employee training costs and return on assets. Insurance firms should prioritize investing in employee training and development programs.
4. The study found a significant negative relationship between employee benefits and return on assets. Insurance firms should review their employee benefits packages to ensure they are not overly generous and

negatively impacting financial performance.

5. Insurance firms should prioritize strategic investments in human capital, focusing on areas that generate the greatest returns, such as employee training and development.

6. Contributions to Knowledge

Like other studies of this nature, this study contributes to knowledge in many ways.

1. This study contributes to the understanding of how human capital expenditure influences financial performance in the Nigerian insurance industry.
2. The study emphasizes the need for insurance firms to prioritize strategic investments in human capital, focusing on areas that generate the greatest returns.
3. The study identifies areas, such as salaries and employee benefits, where insurance firms can optimize costs to improve financial performance.
4. The study provides a framework for evaluating human capital expenditure decisions, which can be applied to other industries and contexts.
5. The study contributes to the development of human capital management practices in Nigeria, highlighting the importance of strategic investments in human capital for improving financial performance.

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