International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

STAFF TURNOVER AND FINANCIAL RETURN OF NIGERIAN BANKS

Fatimehin Kolawole[1], Ezejiofor, Raymond A[2], Olaniyi Ayo Rufus[3]

[1]University of the West Of England, Coldharbour Lane, Frenchay, Bristol, Bs16 1qy, United Kingdom. Mail: Kolawolefatimehin@Gmail.Com
[2]Department of Accountancy, Nnamdi Azikiwe University, Awka, Nigeria, Mail: thaddray4life@yahoo.com
[3]The Federal Polytechnic, Ado-Ekiti, Nigeria. Mail: olaniyiayo2018@gmail.com

ABSTRACT

The study determined the impact of staff turnover on return on equity of the Nigerian banks. Ex-Post Facto research was used in this research. The sample of the current study was limited to ten (10) banks license with national and international authorization operational in Nigeria. The empirical data for the study based on secondary sources and were retrieved from the annual financial statements of the sampled banks. Regression analysis was employed to test the hypothesis with E-view 9.0. This study conclude that staff turnover cost has a negative impact on return on equity of Nigerian banks, but statistically significant and therefore supported by the Expectancy theory as the relevance of the theory to this study is that it is believed that a well paid staff will be motivated to work better, which will further translate to improved profitability of the entity. Based on the finding, the study recommended that for the development of their job, Nigerian banks should give a favorable working environment for its staff, as this is one of the variables that influence an employee's decision to stay with the company.

Keywords: *Staff turnover, Return on equity and Bank size*

1. INTRODUCTION

Human resources are the most crucial of all corporate resources (human, financial, material, and information). They will give substantial contributions to the enterprise if they are nourished, cared for, and supported (Akindele, 2007). This explains why businesses of all sizes and scopes devote significant resources to improving their efficiency and effectiveness. The outflow of individuals in and out of the company is known as staff turnover, and its analysis is crucial for predicting future losses. This demonstrates how an employee's arrival and departure affects an organization's effectiveness (Armstrong, 2000). From the Justus et al. (2011)'s research study, factors contributing to labour turnover in the sugar industry in Kenya-, showed that a large proportion of employees will leave organizations for a better salary, better fringe benefits and better opportunity for upward growth, poor working environment condition, harassment by managers and overwork.

Meanwhile, oil corporations, multinationals, and financial institutions offer the best prospects for employment in Nigeria's private sector. Banks, for example, make up the vast bulk of financial institutions. They are the second most popular employer in the private sector, after oil firms, which cause a lot of individuals to compete for positions in banks. To create a competitive advantage, banks rely substantially on most of their staff. As a result, they spend a lot of money on training individuals to keep their knowledge, skills, and talents up to date. To avoid being enticed or enslaved, employers of labor must keep and retain the personnel in whom they have invested heavily.

According to Truter (2020), COVID-19 pandemic brought about restrictions on global and local mobility, including the closure of businesses with implications on employment relations actors' ability to honour the contract of employment. Buheji and Ahmed (2020) postulated that COVID-19 is not only a medical, but a human right enemy that should be fought regardless of national differences in existence before the pandemic. Coronavirus occurrence is an opportunity to redesign business models and contract of employments by inculcating goodwill and value into business models through re-evaluating ethical and transparency issues to build new contractual relationships because the corona challenge had opened different perspectives to life due to attitudes and behavioural changes that were caused by the shock the virus gave to the world (Atilola, 2020). Coronavirus caused several deaths in the world which may necessitate the need to include force majeure and other clauses in the contract of employment that were not there at the onset.

It is obvious that the rate of labor turnover is alarming, and this has wreaked havoc on many families across the country. Workers are laid off on daily basis, either publicly or surreptitiously, and the high rate of turnover is a severe concern for the sector, particularly if the separation is voluntary by relatively high-profile amounts of human capital value (Weibo et al., 2010).

Staff turnover is expensive, diminishes productivity, kills morale, loses customers to competitors, and tends to worsen if not addressed quickly, posing issues. Management must devise measures to ensure that concerted efforts are aimed at decreasing or completely eliminating the problem. The study therefore determine the impact of staff turnover on return on equity of the Nigerian banks.

2. LITERATURE REVIEW

2.1 Theories of Labour Turnover and Productivity

There are two main theories on how employee turnover affects firms' productivity. The first theory is the Firm Specific Human Capital (FSHC) theory, developed by Becker (1975). It states that if firms need to bear the cost of training, their incentives to provide staff training will be lowered by high quitting rates. The incentives become weaker when firm specific and general training are less separable, as employees have lower opportunity costs of quitting (Lynch 1993). Therefore, firms' productivity falls as turnover increases and high turnover rate results to lower productivity.

The second theory on how employee turnover affects firms' productivity is the job matching theory established by Jovanovic (1979a; 1979b; and Brudett (1978). The key insight of this theory is that firm will search for employees and job seekers will search for firms until there is good match for both parties. Though, the conditions for an optimal matching may change, leading to continuous reallocation of labour. For instance, a firm that has upgraded its production technology will substitute skilled for unskilled labour. Regular employee turnover helps both employees and employers to avoid being locked in sub-optimal matches permanently. Moreover, Borland (1997) suggests that involuntary turnover can be used as a mechanism to maintain employees' incentives. In a nutshell, job matching theory encourages involuntary turnover and suggests that higher turnover adds to productivity, while FSHC is against it. Looking at the two theories of labour turnover and productivity, one will see that FSHC theory and job matching theory have opposite effects on productivity but one does not necessarily invalidate the other. The two theories essentially answer the question of how to balance the stability and flexibility of the labour force.

Expectancy theory :

The Expectancy theory was propounded by Victor Vroom (1964). The theory focuses on the relationship between rewards and behavior. It posits that behaviour (job performance) can be described as a function of ability and motivation while motivation is a function of expectancy, instrumentality, and valence perceptions. Although this theory implies that linking an increasing amount of rewards to performance will increase motivation and performance, some authors have argued against this assumption, emphasizing that monetary rewards may increase intrinsic motivation. Extrinsic motivation depends on rewards – such as pay and benefits – which are controlled by some external variables whereas intrinsic motivation depends on rewards that flow naturally from work itself. Therefore, while it is important to keep in mind that money is not the only effective way to motivate behaviour, and that money rewards will not always be the answer to motivation problems, it does not appear that monetary rewards run much risk of compromising intrinsic motivation in most work settings.

The relevance of the theory to this study is that it is believed that a well paid staff will be motivated to work better, which will further translate to improved profitability of the entity.

2.2 Staff/Employee Turnover

A vast concern to most companies, employee turnover is expensive especially in lower disbursing job roles, for which the worker turnover level is the highest (Samuel, 2012). Employee turnover refers to the number or percentage of workers who leave an organization and are replaced by new employees (Samuel and Chipunza, 2009).

Certain levels of turnover is fruitful to organizations especially where redundant and unproductive employees whose benefits of replacement or non-replacement is more than the cost of leaving. The employer will redefine the position of the departed employee in line with the business requirements, or abolish the position with the advantage of reducing the staff establishment. Employers will also use such opportunities for internal promotions thus raising the morale of hardworking employees (Lehndorff, 2006). However high staff turnover has detrimental effects on productivity, succession and strategy implementation on organizations (Testa, 2008) .Indicators of staff turnover includes; job advert placements in the media, level of service gaps, documented exit interviews, recruitment and training expenditures on newly recruited employees who replaced the departed ones. Turnover is often utilized as an indicator of company performance and can easily be observed negatively towards the organization's efficiency and effectiveness (Glebbeek and Bax, 2004). Employee turnover is a natural outcome of doing business, yet it is harmful to an organization in large quantities, so it should be kept at minimum level. Organizations can utilize turnover to change the composition and diversity of its employees through terminating poor performers, allowing for internal promotion, and hiring new employees with innovative ideas. New employees often bring positive inputs if turnover is handled correctly (Werbel and Bedeian, 2009).The turnover level rates can be used for both internal and external comparisons for both trend analysis for future improvement. The level which staff turnover has to reach in order to inflict measurable damage to an employer is subjected to debate (Derek et al 2002). However some industries can sustain successful business with high turnover rates as compared to other sectors (Capelli, 2000).Staff turnover can be measured and turnover index calculated on monthly, quarterly, semiannually or annually. Turnover index sometimes referred to as the employee or labor wastage index, shows the employee or labor wastage rate (Armstrong, 2003).

Staff turnover may be defined as permanent departure (Armstrong, 2009) of employee beyond organizations boundaries. It is the flow of manpower out from and into organization (Testa, 2008). Much of this movement is undesirable and a reflection of unrest, unnecessary or at least unwanted cost. Human Resource context, turnover or staff turnover is the rate at which an employer loses employees (Skabelund, 2012). Turnover costs are two dimensional namely real and opportunity costs. Real costs involve leaving, replacement, transitions, and selection and recruitment costs. Opportunity costs of turnover are lost productivity, reduced performance levels, unnecessary overtime and low morale (Costello, 2006) .The true cost of turnover depends on a number of variables including ease or difficulty in filling the position and the nature of the job itself. Voluntary turnover can either be dysfunctional or functional. Dysfunctional is where the individual wants to leave the organization but the organization prefers to retain the individuals whose skills are deemed very important and strategic to competitors. It is functional where the organization is unconcerned about employee's departure.

Management views voluntary turnover undesirable since it is unplanned and negatively affects operations. Involuntary turnover is an indication of some undesired situations like disciplinary and economic discharge (Lee et al., 2008).

2.3 Determinants of Labour Turnover

Determinants of labour turnover are those factors or elements that limit the nature and rate in which employees are leaving their jobs. They can be considered as functions that help to explain the reasons for inverse and usefulness associated with labour turnover in a particular organization. In this study, some of the factors including salary and compensation would be chosen based on the previous literature as the most contributory factors, as they are having direct impact on labour turnover. The more detailed explanation will be provided in the following sub-sections.

Training:

It is necessary to ensure an adequate supply of staff that are technically and socially competent and capable of career development into specialist departments or management positions (Sultana et al., 2012). Their submission shows that organization success rests on the competence of the employees through well-designed training and implementation. The necessities of training in the recent time become imperative as a result of the high rate of competition and it is relative to an organizations performance. When training activities are systematically planned, it plays a significant role in the success of the organization and it gives the organization a competitive advantage over its rivals. Therefore, it can be said that the performance of employees translates to organizational performance. The findings of the study by Thang et al. (2008) also highlight the impact of training on firm performance, which affirmed that employers believe that training frequently improves employees' skills and boosts their motivation. Hence, in turn, leads to higher productivity and profits and it show that there is a relationship between training and firm performance not only at the level of the individual employee, as demonstrated in previous studies, but also at the company level.

Job insecurity:

Job insecurity is the probability that an individual will lose his or her job. When the job is secured, it indicates that the probability of becoming unemployed will be very low. To keep high job security in most cases depends on nations' economy, prevailing business conditions and the individual's skills. The fact that job security depends on having the necessary skills and experience that are in demand by employers shows that if workers should leave a bank because of job insecurity, it may give the employer a chance of recruiting staff that is capable of delivering more than the previous staff (Akinruwa and Ajayi, 2014).

Targets in a bank are attainable if the employees are brought together for a certain purpose and willfully do their job. However, banks should not at all times expect employees to realize the same job performance as a programmed machine since individuals are social beings, their needs and expectations change in course of time and when these expectations are not met, negative attitudes can also be reflected in their job performance.

Consequently, there is a need for organizations' internal and external means of interference to change the attitudes of the employees in line with their targets (Senol, 2011). Findings of the study show that the effect of motivational tools can be felt by employees when there is an assurance of their job security. It goes further to affirm that job security alone can stand as a motivational tool for employees.

2.4 Return on Equity

Return on equity (ROE), often known as financial return, is one of the most important metrics used by shareholders to assess the value of their investment in the company (Cace et al. 2011). Higher financial returns combined with increased reinvested capital, according to Alcock and Steiner (2017), will accelerate any company's future growth. If shareholders elect to pay smaller dividends in the short term and management invests the extra cash in initiatives with a positive net present value, the long-term sustainable growth rate will be higher (Vijayakumaran, 2018). Higher dividend distributions, on the other hand, may please shareholders in the near term, but they will limit the company's future growth due to the greater leverage required to finance long-term expenditures (Muradoglu and Sivaprasad, 2012). When it comes to determining how to invest the company's available money, Miglo (2014) concluded that financial return should outweigh the cost of opportunity (second best option) that shareholders have. Shareholders' objective expectations should be based on three factors: nation risk (where the company is located), sector risk (where the company operates), and company risk (Wibowo, 2005). Some researchers have found that modest return on equity is the principal cause of company's insolvency risk increase on the long run, because shareholder's support and interest decrease to provide long-term going concern (Ting, 2012).

2.5 Empirical Review

Prior conceptualizing the determinants of labour turnover, this section will provide a critical analysis of the empirical studies that related to the present study. Below are some of the empirical studies. Nangih et al (2020) investigated the relationship between employee costs and profitability of publicly traded Nigerian oil and gas businesses. It looked into the impact of employee salaries, medical expenses, and training costs on the profit margin of publicly traded oil and gas companies. A review of the relevant conceptual, theoretical, and empirical literature was conducted. The information was gathered from the firms' annual financial filings from 2013 to 2018. The results of the test of hypotheses indicated that both salaries and training costs impact positively on profit margin whereas medical expenses had negative effect on profitability; but only training cost was significant. In view of the above findings, Hee and Ann (2019) looked at the relevance of employee turnover as well as the factors that lead to it. Compensation and benefits, work-life balance, work stress, and job satisfaction are all major factors that influence employee turnover, according to the researchers. This research also has research implications for industry practitioners who are dealing with employee turnover. Their research can be used as a guide to help the food manufacturing industry restructures its human resource policy in order to stay in business and retain employees. Amponsah-Tawia et al. (2019) examined the relationship between turnover intention and job fit among Registered Nurses in Ghana. Further analysis was done to explore how nurses'

psychological climate has an impact on the relationship between job fit and turnover intention. The results of the study showed no statistically significant relationship between nurses' turnover intention and job fit. However, psychological climate was found to fully mediate the relationship between turnover intention and job fit among the participants studied. Among professional academics at Jordanian Government Universities, Al-khrabsheh, et al (2018) investigated the association between turnover intention and several organizational characteristics. Job satisfaction, work weariness, occupational health and safety management, and organizational culture are examples of organizational factors. A total of 250 people were chosen from various Jordanian universities. The models for multiple regression offer support for the relationship between turnover intention and organizational factors. The results revealed that all the exogenous variables had a significant effect on the endogenous variable. Belete (2018) reviewed different empirical works which deals with the factors influencing turnover intention of employees with the purpose of giving clue for scholars, researchers and organizations. Etebu (2016) studied the extent to which financial compensation management may be used as a tool for improving organizational performance in the Bayelsa State civil service. The results of Pearson's Product Moment Correlation analysis and the Z-test at a 10% level of significance revealed that financial compensation received by Bayelsa State Civil Servants has a significant impact on their performance, the financial compensation received is commensurate with their efforts, and the government's reform programs have a significant impact on the financial compensation received. Using field survey research methods, Alkahtani (2015) explored factors that influence employee turnover intention in Saudi Arabia. According to the findings, organizational commitment, work satisfaction, training, perceived organizational support, perceived supervisor support, organizational climate, employee rewards and opportunities, and organizational fairness are all linked to turnover. As a result, he stated that these issues must be addressed by businesses in order to retain personnel, particularly those who can significantly contribute to the organizations' well-being. Kariuki (2015) used a simple random sampling method to select respondents for his study of factors affecting turnover in the Kenyan banking industry. Structured questionnaires were used to collect data, which was then analyzed using the Statistical Package for Social Sciences (SPSS) version 21. A total of 102 questionnaires were sent out to respondents, and all 102 questionnaires were returned, giving the study a 100% response rate. Frequencies, percentages, and mean were used as descriptive statistics in this investigation. The study discovered that there is a statistically significant link between career development and employee turnover, and that job descriptions, career development programs, work enrichment, and capacity augmentation improve employee job performance and reduce employee turnover. Mentoring and coaching were also found to have a substantial impact with employee turnover. Wallelegn (2013) assessed the causes of professional employees' turnover at bank of Abyssinia. The study adopted a descriptive research design to identify the employee turnover causes. Both quantitative and qualitative methods were used to gather information through the utilization of a questionnaire and interviews. Descriptive statistical and qualitative analysis method were used for data analysis. The study revealed that the bank has no attractive salary and benefit package, the employee-employer relationship was not good, there is job security problem, the employee reward program was not competitive, the work place were unfavorable, employees were handled unfairly and irrespectively. All those factors influence most ex-employees to leave and increased the intention of existing employees to leave the bank.

A several authors including Rizwan et al. (2014), Okubanjo (2014), Kariuki (2015) has concluded that dealing with labour turnover calls for collective and continuous efforts of all employers, employees and stakeholders of selected deposit banks in Enugu Metropolis.

3. METHODOLOGY

3.1 Research Design

Ex-Post Facto research was used in this research. By assessing past events or already existing data for possible causal factors, ex-post facto determines the factors that are related with certain occurrences, situations, events, or behaviours (Orji, 1996). This is appropriate because the study's goal is to determine the effect of one variable on another without the researcher manipulating the variables.

3.2 Research Sample

The sample of the current study was limited to ten (10) banks license with national and international authorization operational in Nigeria. The ten banks selected are; Access bank plc; Fidelity bank plc. First Bank of Nigeria plc, United Bank for Africa, Union Bank plc; First City Monument Bank plc, Guarantee Trust Bank plc; Sterling Bank plc, Wema Bank plc and Zenith Bank plc. The ten banks were purposively selected because of their consistency within the period under study as they have not undergone any form of changes as a result of merger/acquisition.

3.3 Instruments for Data Collection

The empirical data for the study based on secondary sources. The data are to be retrieved from the annual financial statements of the sampled banks. The main sources of information are the Statement of Comprehensive Income, Statement of Financial Position, and other pertinent notes as contained in the financial reports.

3.4 Methods of Data Analysis

Panel data approach, for a period of 10 years (2011-2020) was adopted. The data are to be analyzed using the Regression technique with aid of E-view 9.0 at 5% level of significance. This is a statistical technique to analyze the relationship between several independent variable and single dependent variable. Regression analysis is well suited to two broad classes of research problems; prediction and explanation (Hair et al., 2010).

3.5 Model Specification:

This model for this research has been developed from Essien et al. (2013) significant relationship between Managerial style and employee turnover. In this study, employee turnover was made the dependent variable while Managerial style was the explanatory variable. The model for analysis is;

ET = f (MS) …………………………………………… (i)

ET = β0 + β1 MS+ ei ……………………………..….... (ii)

Where, ET = Employee turnover.

MS = Managerial style

β0 and β1 = are the regression coefficients to be determined.

ei = the error term

The model was modified by the researcher and this took the following form:

$Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \mu$

Where:

Y = Performance (dependent variable)

X = staff turnover cost (explanatory/independent Variable)

β_0 = constant term (intercept)

$\beta_1 - \beta_2$ = Coefficients of bank performance

μ = Error term (stochastic term)

Explicitly, the equation can be defined as:

Performance = *f* (Staff turnover cost) + μ

Representing the equations with the variables of the construct, hence the equations below are formulated:

$ROE_{it} = \beta_0 + \beta_1 STRC_{it} + \beta_2 BSZ_{it} + \mu_{it}$

Where:

β_0 = Constant term (intercept)

β_{it} = Coefficients to be estimated for firm ί in period t

μ_{it} = Error term/Stochastic term for firm ί in period t

$STRC_{it}$ = Staff Training cost of firm ί in period t

ROE_{it} = Return on equity of firm ί in period t

BSZ_{it} = Bank Size of firm ί in period t

Decision Rule:

Reject H_o if the P-value of the test is less than α-value (level of significance) at 5%,

Otherwise accept H_I

4. DATA ANALYSIS AND RESULTS

4.1 Data Analysis

Table 1: Descriptive Statistics

	STRC	ROE	BSZ
Mean	10.35460	0.151178	3.73E+09
Median	9.453410	0.160128	2.75E+09
Maximum	14.78337	0.186561	8.68E+09
Minimum	6.457850	0.064915	9.49E+08
Std. Dev.	3.165656	0.035257	2.68E+09
Skewness	0.285536	-1.519284	0.786991
Kurtosis	1.615523	4.659988	2.128981
Jarque-Bera	0.934541	4.995191	1.348372
Probability	0.626710	0.082283	0.509571
Sum	103.5460	1.511780	3.73E+10
Sum Sq. Dev.	90.19238	0.011188	6.48E+19
Observations	10	10	10

Source: E-Views 9.0 Descriptive Output, 2021

Interpretation :

Table 4.1 presents the descriptive statistics for the dependent variable (ROE) and the independent variable (STRC), while BSZ formed the control variable. The mean serves as a tool for setting benchmark. The median re-ranks and takes the central tendency. While the maximum and minimum values help in detecting problem in a data. The standard deviation shows the deviation/dispersion/variation from the mean. It is a measure of risk. The higher the standard deviation, the higher the risk, the standard deviation is a measure that summarizes the amount by which every value within a dataset varies from the mean. It is the most robust and widely used measure of dispersion. The standard deviation in the banking sector for the period 2011-2020 is 3.166, 0.035, and 2.680 for STRC, ROE, and BSZ respectively. Skewness and Kurtosis are contained in Jarque-Bera. Positively skewed is an indication of a rise in profit while negatively skewed is an indication of loss or backwardness. Jarque-bera is used to test for normality; to know whether the data are normally distributed. Table 4.1 shows that, but for FSZ with the negative value of -0.541315 all other data are positively skewed.

4.2 Test of Hypothesis

Ho_1: Staff turnover has no effect on return on equity of Nigerian banks.

H_{I1}: Staff turnover has a positive effect on return on equity of Nigerian banks.

Table 4.2: Panel Least Regression analysis showing the relationship between STRC, ROE, and BSZ

Dependent Variable: ROE
Method: Least Squares
Date: 01/01/22 Time: 20:33
Sample: 2011 2020
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.220349	0.049926	4.413556	0.0045
STC	-0.012710	0.004635	-2.742017	0.0336
BSZ	1.71E-11	5.61E-12	3.050614	0.0225

R-squared	0.623260	Mean dependent var	0.151178
Adjusted R-squared	0.434890	S.D. dependent var	0.035257
S.E. of regression	0.026504	Akaike info criterion	-4.133838
Sum squared resid	0.004215	Schwarz criterion	-4.012804
Log likelihood	24.66919	Hannan-Quinn criter.	-4.266612
F-statistic	3.308704	Durbin-Watson stat	2.119276
Prob(F-statistic)	0.098952		

E-Views 9.0 output file, 2021

5. INTERPRETATION OF REGRESSION RESULT

In table 4.2, a panel least square regression analysis was conducted to test the impact between return on equity (ROE) and staff turnover rate cost (STRC). Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the table 4.2, the value of adjusted R squared was 0.43, an indication that there was variation of 43% on return on equity due to changes in STRC, bank size (BSZ). This implies that only 43% changes in return on equity of banks could be accounted for by STRC and BSZ while 57% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate that; $P(x_1= 0.034<0.05$; and $x_2= 0.023<0.05$. The co-efficient value of; $\beta_1= -0.013$ for STRC, and 01.71 for BSZ, implies that STRC is negatively related to ROE, while BSZ is positively related to ROE, though statistically significant at 5%.

The Durbin-Watson Statistic of 2.119276 suggests that the model does not contain serial correlation. The F-statistic of the STRC regression is equal to 3.308704 and the associated F-statistics probability is equal to 0.098952, so the null hypothesis was rejected and the alternative hypothesis was accepted.

Decision Rule:

Accept H_0 if the P-value of the test is greater than 0.05, otherwise reject.

Decision:

Since the P-value is less than the critical value of 5% (0.05), then, it would be upheld that staff turnover cost has a negative impact on return on equity of Nigerian banks, but statistically significant at 5% level of significance, thus, H_1 is preferred over Ho.

Table 4.3: Generalized Method of Moments between ROE, STRC and BSZ

Dependent Variable: ROE
Method: Generalized Method of Moments
Date: 01/04/22 Time: 06:52
Sample: 2011 2020
Included observations: 10
Linear estimation with 1 weight update
Estimation weighting matrix: HAC (Bartlett kernel, Newey-West fixed
bandwidth = 3.0000)
Standard errors & covariance computed using estimation weighting matrix
Instrument specification: ROE C STRC BSZ IFR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.230372	0.021726	10.60340	0.0000
STRC	-0.014024	0.004047	-3.465442	0.0134
BSZ	1.84E-11	5.82E-12	3.171101	0.0193

R-squared	0.601735	Mean dependent var	0.151178
Adjusted R-squared	0.402603	S.D. dependent var	0.035257
S.E. of regression	0.027251	Sum squared resid	0.004456
Durbin-Watson stat	2.139138	J-statistic	3.139324
Instrument rank	5	Prob(J-statistic)	0.076426

The estimation results in Table 4.3 mostly are based on the theory and statistically significant to be analyzed. Staff turnover rate cost has a significant and negative effect on return on assets. Further bank size has a positive and significant effect on return on equity, while the Inflation rate has a negative effect and insignificant to return on equity.

The estimation results of GMM can be seen in Table 4.3, in the GMM model measurement, R-Square is not used as a statistical standard for determining whether good or not a model, but to see J- Statistics (J-stat) assess the validity of the variable instrument (IV) used on the model. By using the instrument rank or IV as 5, can be seen the value of Prob J –Stat 0.076426 is greater than 0.05 so that the use of the GMM models are valid.

6. CONCLUSION AND RECOMMENDATION

Since the P-value is less than the critical value of 5% (0.05), then, it would be upheld that staff turnover cost has a negative impact on return on equity of Nigerian banks, but statistically significant at 5% level of significance. This result is in agreement with the findings of Nangih et al (2020) indicated that both salaries and training costs impact positively on profit margin whereas medical expenses had negative effect on profitability; but only training cost was significant; the study of Kariuki (2015) who discovered that there is a statistically significant link between career development and employee turnover, and that job descriptions, career development programs, work enrichment, and capacity augmentation improve employee job performance and reduce employee turnover.

However, the study negated by the findings of Onuorah et al. (2019), whose results of data analysis utilizing the Z-test at a significance level of 0.05 revealed that compensations had no detrimental impact on employee performance. Hee and Ann (2019) reported that compensation and benefits, work-life balance, work stress, and job satisfaction are all major factors that influence employee turnover, according to the researchers. Ojeleye (2017) revealed that remuneration and employee performance have a strong and positive link, and that salary/wages and bonuses/incentives also act as a kind of motivation for employees. Ifurueze, et al (2014) results show that there is a significant positive relationship between human resource costs and firm profitability.

This study conclude that staff turnover cost has a negative impact on return on equity of Nigerian banks, but statistically significant and therefore supported by the Expectancy theory as the relevance of the theory to this study is that it is believed that a well paid staff will be motivated to work better, which will further translate to improved profitability of the entity.

Based on the finding, the study recommended that for the development of their job, Nigerian banks should give a favorable working environment for its staff, as this is one of the variables that influence an employee's decision to stay with the company.

REFERENCES

[1] Akindele, R.A. 2007, Fundamental of Human Resources. Ile-Ife: Cedar Productions.

[2] Ampomah P. and Cudjor S.K. 2015. The Effect of Employee Turnover on Organizations (Case Study of Electricity Company of Ghana, Cape Coast), Asian Journal of Social Sciences and Management Studies, 2(1); ISSN: 2313-7401, , 21-24.

[3] Al-khrabsheh, A. A, Maisoon, A., and Islam B. 2018. Effect of Organizational Factors on Employee Turnover Intention: An Empirical Study of Academic Professionals at Jordanian Government Universities. International Journal of Human Resource Studies 8(2)

[4] Alkahtani, A. 2015. Investigating Factors that Influence Employees' Turnover Intention: A Review of Existing Empirical Works. International Journal of Business and Management; 10(12); 2015 ISSN 1833-3850 E-ISSN 1833-8119

[5] Akinruwa, T. E. and Ajayi, S. O. 2014, Effect of Labour Turnover on Performance in Nigerian Banking Industry (A Case of Ado-Ekiti Metropolis, Ekiti State). European Journal of Business and Management 6(28). ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online), www.iiste.org.

[6] Armstrong, P. 2000, Human resources management, London: Kogan pate pentaniville.

[7] Atilola. B. 2020, Covid-19, labour & employment law and the dilemmas of employers. Accessed from http://www.hybridsolicitors.com/solicitor/.

[8] Armstrong, 2003. A Handbook of Human Resource Management Practice", New Delhi: Kogan,

[9] Armstrong ,M. 2009, Armstrong's Handbook of Performance Management: An Evidence-Based Guide to Delivering High Performance, Kogan Page Publishers, USA .

[10] Armstrong M. 2008, A handbook of Human Resources Management practice 10th Edition London,Kogan page Ltd

[11] Belete AK 2018. Turnover Intention In uencing Factors of Employees: An Empirical Work Review. Journal of Entrepreneurship & Organization Management 7(3): 253-261

[12] Becker, G. S. (1975). Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education. New York, National Bureau of Economic Research.

[13] Borland, J. (1997). "Employee turnover: Evidence from a case study." Australian Bulletin of Labour 23(2): 118-32.

[14] Burdett, K. (1978). "A theory of employee job search and quit rates." American Economic Review 68(1): 212-20.

[15] Capelli, P. 2000 A market driven approach to retaining talent. Harvard Business Review 78(1):103-111.

[16] Etebu, C. 2016. Financial compensation and employee performance of bayelsa state civil service. Journal of Resources Development and Management www.iiste.org ISSN 2422-8397

[17] Glebbeek, A. C. & Bax, E. H. 2004. Is high employee turnover really harmful? An empirical test using company records.Academy of Management Journal, 47, 277-286.

[18] Hee, O. C., and Ann, Y.S. 2019. Factors Influencing Employee Turnover in the Food Manufacturing Industry in Malaysia. International Journal of Academic Research in Business and Social Sciences, 9(1), 482–491.

[19] Investopedia, 2018, Financial performance. Available online at https://www.investopedia.com/terms/f/financialperformance.asp

[20] Jovanovic, B. (1979a). "Job matching and the theory of turnover." Journal of Political Economy 87(5): 972-90.

[21] Jovanovic, B. (1979b). "Firm-specific capital and turnover." Journal of Political Economy 87(6): 1246-60.

[22] Justus, W., Kombo, A., Murumba, N. and Edwin, M. 2011, The factors contributing to labour turnover in the sugar industry in Kenya (a case of Sony Sugar Company limited). International Research Journal, 2(5), 1138-1148.

[23] Kariuki, P. W. (2015). Factors affecting employee turnover in the banking industry in Kenya; A case study of empirical bank limited. M. Sc Thesis.

[24] Lehndorff, S G. 2006, Shiftwork – Problems and Solutions. European Foundation for the Improvement of Living and Working Conditions, Dublin

[25] Lee, T. H., Gerhart, B., Weller, I., & Trevor, C. O. 2008, Understanding voluntary turnover Path-specific job satisfaction effects and the importance of unsolicited job offers. Academy of Management Journal, 51(4), 651-671.

[26] Lynch, L. M. (1993). "The economics of youth training in the United States." The Economic Journal 103(420): 1292-1302.

[27] Nangih, E. Obuah, C. A., Wali, S. C. and Turakpe, M.J. 2020. Assessing the interconnectedness between staff costs and firm profitability: evidence from Nigeria's oil and gas industry. European Journal of Accounting, Finance and Investment 6(6), ISSN (3466 – 7037);

[28] Onuoha, A. O. 2015. Impact of labour turnover on the performance of selected deposit banks in Enugu metropolis, Nigeria. Department of Management, Faculty of business administration university of Nigeria, Enugu campus.

[29] Rizwan, M., Arshad, M. O. AtifMunir, H. M. 2014. Determinants of employees intention to leave: a study from Pakistan. International Journal of Human Resource Studies 4(3):1

[30] Sultana, A., Irum, S., Ahmed, K. and Mehmood, N. 2012, Impact of Training on Employee Performance: A study of Telecommunication Sector in Pakistan''. Interdisciplinary Journal Of Contemporary Research In Business, 4(6), 646-661.

[31] Samuel, M. O., and Chipunza, C. 2009, Employee retention and turnover: using motivational variables as a panacea. African Journal of Business Management, 3(8), 410-415.

[32] Şenol, F. 2011. The Effect of Job Security on the Perception of External Motivational Tools: A Study in Hotel Businesses. Journal of Economic and Social Studies

[33] Skabelund, J. 2012, I just work here. American Fitness, 26(3), 42-42. Retrieved February 23, 2009, from Academic Search Premier database.

[34] Testa, B. 2008, September 22). Early Engagement, Long Relationship? Workforce Management, 87(15), 27-31. Retrieved February 23, 2009, from Academic Search Premier database.

[35] Truter C. (2020) Covid-19: Impact on businesses and investments in South Africa. Available at

[36] https://tinyurl.com/ybfotye2

[37] Thang, N.N., Thu, N.V. and Buyens, D. (2008) The Impact of Training on Firm Performance: Case of Vietriam''.Working Paper, 1-26.

[38] Werbel, J. D. &Bedeian, A. G. (2009). Research note: Intended turnover as a function of age and job performance. Journal of Organizational Behavior, 10(3), 275-281

[39] WeiBo, Z., Kaur, S. and Zhi, T. (2010) A critical review of Employee Turnover Model (1938-2009) and development in perspective of performance'. African Journal of Business Management. Vol. 4(19). 4146-4158.

[40] Wallelegn, B. (2013) Assessment of professional employees turnover causes at Bank of Abyssinia. Addis Ababa: St. Mary's University. URI:https://opendocs.ids.ac.uk/opendocs/handle/20.500.12413/7898