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Impact of Staff Turnover on the Financial Performance of Nigerian Deposit Money Banks

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ABSTRACT

This study determined the effect of staff turnover on the financial performance of Nigerian banks. Ex Post Facto research was adopted for the study. Panel data approach, for a period of 10 years (2011-2020) was adopted. A sample of ten out of twenty two banks in Nigeria were used for the study The data were analyzed using regression technique with aid of E-view 9.0 at 5% level of significance. The study revealed that staff turnover cost has a negative impact on profit margin and return on assets of Nigerian banks. Based on the findings of this study, the researchers suggest that there is a pressing need for Nigerian commercial banks to participate in proactive strategic planning and initiatives to reduce staff turnover. As a result, the management should try to ensure that its trained and experienced staff has all of the necessary comfort and ease to accomplish their jobs.

KEYWORDS: *Staff turnover, Profit margin and Return on assets*

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INTRODUCTION

One major reason for bank to investing much in employees is to improve their skills and competencies and this is consistent with the findings of Dwomoh and Korankye (2012), which stated that in most cases, employees could not match their skills against the skill required by the job. Hence, they advocate that the mechanisms of reducing the rate of turnover in a company rest on the managers through measuring, controlling, and minimizing employee separation at all costs since man was considered as the only occupant driver seat of any organizations. The services that banks provide heavily rely on the bulk of the employees to achieve competitive advantage (Akinruwa and Ajayi, 2014).

Nigerian banks spend a lot on their workforces in terms of orientation and training, developing, preserving them in their organization. Therefore, administrators at all expenses must reduce worker turnover. Although, there is no single or ordinary context for understanding the personnel turnover procedure, a wide array of aspects has been useful in initiating employee turnover (Kevin et al., 2004). With globalization, which is cumulative competition, organizations must carry on developing physical goods and offer services that are constructed on approaches formed by employees. These employees are particularly essential to the organization since their value to the organization is intangible and not easily pretend (Meaghan and Nick, 2002).

Adding to that, the emergence of COVID-19 virus touched most essential things in the practice of being healthy and possession of intrinsic mental wealth (World Bank, 2020).

Nevin et al. (2020) aver that one of the risks and challenges of the banking sector during the COVID-19 pandemic is operational constraints of keeping the employees safe while meeting customers' expectations because the pandemic gave rise to unprecedented disruptions.

Staff turnover issue in the banking sector has been generating heat discussion in the literature for the past decades due to the psychological dimension of bank significance and economic dimensions on nations (Long et al., 2012). Thus, the dynamic nature of the banking sector constitutes a problem for the employees as it is relatively common to quit the system every year either through voluntary or involuntary means. Thus, employees rarely grow with a particular bank in their employment pursuit. Where incoming workers displayed high skills, high initiative and are grounded in knowledge and well educated undoubtedly impact positively on both the employees and the firms' performance (Brown et al., 2007). This is consistent with a study by Glebbeek and Bax (2003), which argues that labour turnover in most cases serves as a blessing to the organizations such as leave of less productive employees, termination of bad matches, innovation, and adjustment to market conditions. From the opposing argument, it can be reasonably agreed that the effect of labour turnover on banks' performance is like two-edged sword that takes the path of negative and positive (Justus et al., 2011).

Many studies of this nature have been carried out but what must be noted here is that most of the researchers focus on just the causes. This has led to the significance of this study, which will attempt to ascertain the causes of staff turnover, management of staff turnover and their impact on the financial performance of the Nigerian banks.

There are very few turnover determinant studies connected to the Nigerian banking sector. The handful that was available employed various variables. Shukla and Sinha (2013), Bula (2012), and Kariuki (2013) are examples of such investigations. As a result of the aforesaid findings, it is clear that more research is needed to substantiate the factors of staff turnover in the banking sector. Most of the previous literature shows mixed results and contradictory conclusions, thus it's reasonable to assume that the link has to be investigated more in order to better generalize the findings for future proposals in this field.

The aim of this study is to determine the impact of staff turnover cost on the financial performance of Nigerian banks. In order to achieve the aim of this study, the following objectives have been developed:

1. To determine the impact of staff turnover cost on profit margin of the Nigerian banks;
2. To ascertain how staff turnover is affecting the return on assets of the Nigerian banks;

Conceptual Framework

Staff Turnover

Staff turnover can be defined as when an employee ceases to work for an organization. On a wider level, it is defined, as the proportion of employees leaving an organization during a given period of time, usually one year (Armstrong, 2006).More importantly however, the analysis of the number of those leaving employment and the reasons for their departure will provide information indicating whether any action is required to improve on the retention rates. Turnover is even more costly because of lost productivity and unnecessary replacement costs (Armstrong, 2008). Employee turnover has received substantial attention from both academics and management. Much of this attention has been focused on understanding its causes. In the United States of America (USA), (Smith, 2007) argued that businesses spend over USD200billion annually recruiting and replacing their employees. Gustafson (2001) showed that the hospitality industry in the USA and elsewhere is experiencing a labor shortage with the high rate of turnover. Forecasts have considerably predicted current and future shortage in the supply of information technology (IT) professionals in the USA. A jobs forecast by (Computerworld, 2008) estimates that there were 350 000 vacant IT jobs in the USA in 1998 with a forecast of 1.3million more IT professionals needed in the next decade with a turnover rate of 13% or higher.

Dessler (2009) stated that employee wages, company benefits, employee attendance, and job performance are all factors that contribute to employee turnover. Ahmed et al. (2016) revealed that employee turnover depending upon factors such as firm stability, pay level, industry, work situation, training and supervision, have a significant impact on organizational effectiveness and these factors are correlated with each other. This study found that there is a significant relationship between employee turnover and organizational effectiveness (Al-Amin and Ishita, 2019). Samuel and Chipunza (2009) explained that there are several reasons for employee turnover in the private banking sector such as poor leadership style, long working hours, inadequate salary, inadequate training and development, challenging work, job security, lack of promotion, managerial style, lack of recognition, lack of competitive, toxic environment and others are personnel, economic, extensive job pressure, organizations itself, age and unrealistic expectation. A study showed that a large proportion of employees will leave organizations for a better salary, better fringe benefits and better opportunities for upward growth, poor working environment conditions, harassment by managers, and overwork (Justus et al., 2011).

Giga and Hoel (2003) determined that high rates of mergers, acquisitions, increasing economic interdependence among countries due to globalization, technical development, and rearrangement have changed the organizational work over the last few eras. Time pressure, excessive work demand, role conflicts, ergonomic deficiencies and challenging customer relationship are causes of stress. Kahn et al. (1964) also consider stress as a conservation for all incentives to a person or an oddity between individual and environment. The knowledge of job-related stress (job stress), the series of reasons that lead to job-related stress (stressors), lack of commitment in the organization and job frustration make employees to quit (Firth et al.,2004).

One mutual reason for high employee turnover rates is low salary and profits packages. When a worker is engaged in a low-wage position with restricted benefits, there is little encouragement to stay if a comparable employer offers even a considerably higher rate of pay. "While lower- paying job roles generally involve a high average of employee turnover, they have a habit of cost firms less per additional employee than do higher paying job roles. However, they sustain the cost more often. For these reasons, most companies emphasize on employee retention strategies irrespective of pay levels." (Beam, 2009). Workers who make more, but whose incomes drop short of the going market rate, may be underestimated at their current companies and look for a company that will recompense them what they're worth (Firth et al. 2004).

Molefi et al. (2014) founded that majority of employees are dissatisfied due to several reasons and this causes lots of voluntary resignations among employees. According to Newaz et al. (2007), employees perceived that the most important reason they leave is that their work is unappreciated and not recognized. The study by Tanchi (2015) reveals that tangible and intangible compensation, physical stress out of organizational support, inconsistency of supervision and business status, underprovided hygiene factor, lack of proper training and development and transfer of jobs are the most important factors that can influence employee turnover. It is showed that when there is a high rate of turnover, it creates a problem and negative impact on an organization's performance (Shukla and Sinha, 2013). Tariq et al. (2013) confirm that the performance of an organization is negatively and insignificantly associated with employee turnover, workload, work stress, salary, and family to work conflict. Another study found that lack of promotion was the primary cause of employee turnover (Al-Amin Khan and Ishita, 2019).

Turnover, however, had dual effects on the organization. The positive effects while employee turnover introduced new ideas and skills into the company and negative effects if it led to difficulties in attracting new staff and reduce performance (Ampomah and Cudjor, 2015). Muhammad et al. (2013) identified four keyways through which staff turnover can have an impact on the performance of an organization, which include productivity and efficiency, financial, quality attributes and customer satisfaction, and innovation.

Financial Performance

There are several dimensions of performance, each of which adds to an organization's total performance. Despite the advent of different available benchmarks and performance evaluation methods, defining what constitutes performance may remain elusive. Hansen and Mowen (2005), states that firm performance is very essential to management as it is an outcome which has been achieved by an individual or a group of individuals in an organization related to its authority and responsibility in achieving the goal legally, not against the law, and conforming to the morale and ethic. Performance is the function of the ability of an organization to gain and manage the resources in several different ways to develop competitive advantage.

The primary goal of financial performance measurement is to identify operating and financial features, as well as the efficiency and performance of economic unit management, as shown in financial records and reports (Amalendu, 2010). According to Akinsulire, (2008) and Pandy (2003), no performance review is without controversy; for example, stated profit is a matter of opinion. If revenue is to be quantified in terms of a growth or reduction in an enterprise's wealth, some definitions of that wealth stock are obviously required. Wealth is measured in three ways by Akinsulire, (2008) and Pandy, (2003): as financial capital – the monetary value of an enterprise's equity stake; as human capital – the value of a person's human capital; and as social capital – the value of a person's human capital; real financial capital, the equity stake in an enterprise in real terms (the proprietary concept); operating capacity capital, the ability of the enterprise to maintain its ability to provide goods and services (the entity concept). In addition, measuring performance is very important because it builds on the results, make different decisions in economic units. According to Benjalux (2006), performance measures are the life blood of economic units, since without them no decisions can be made. Financial performance Measure is one of the important performance measures for economic units. Financial performance measures are used as the indicators to evaluate the success of economic units in achieving stated strategies, objectives and critical success factors (Katja, 2009).

Return on Assets (ROA)
The return on assets (ROA) indicates the profitability of a company's assets after all expenses and taxes have been paid. It calculates the firm's profit after taxes for every dollar invested in assets (Horne & Wachowicz 2005). It's a measure of a manager's effectiveness. As a result, a greater ratio value indicates superior managerial success (Ross et al. 2005).

Return on assets (ROA) is defined by Emekekwue (2008) as a ratio that attempts to evaluate the amount of profit earned from the firm's complete assets. Profit before tax is how it is expressed. Assets in Total Return on assets (ROA) was utilized as a dependent variable by Ekwe and Duru (2012) because it is a measure of managerial efficacy. Return on assets (ROA) is a dependent variable. It is the quotient of dividing profit after tax by total assets. Lazaridis and Trynidis (2006), Falope and Ajilore (2009), Singh and Pandy (2008) and Karaduman et al (2011) agrees that the formula for return on Assets (ROA) is express as Profit before tax over Total Assets.

ROA can be increased by increasing profit margin or asset turnover.

ROA = Net Profit / Total Assets.

Net Profit Margin
The state or circumstance of providing a financial profit or gain is known as profitability. Profitability refers to a company's ability to make money. A profit is what remains after a firm pays all expenses directly related to revenue generating, such as creating a product, as well as other expenses associated to the performance of business activities (Horton, 2018). The basic purpose of any business enterprise is to make money. The business will not exist in the long run if it is not profitable. As a result, determining current and previous profitability, as well as estimating future profitability, is critical. Income and expenses are used to determine profitability. The term "income" refers to the money created by a company's operations. Expenses are the costs of resources depleted or consumed by a company's operations (Amahalu et al., 2019). A company's or business segment's net profit margin is the ratio of net profits to revenues. Net profit margins, which are usually represented as a percentage, show how much of each naira collected as revenue is converted into profit (Amahalu et al., 2016). Net profit margin is calculated using the following formula: net profit/revenue.

After all operational expenses, interest, taxes, and preferred stock, the net profit margin is the percentage of revenue that remains. (but not common stock dividends) have been deducted from a company's total revenue.

Net profit margin is one of the most closely followed numbers in finance. Shareholders look at net profit margin closely because it shows how good a company is at converting revenue into profits available for shareholders.

The net profit margin, also known as net margin, is the amount of net income a firm earns as a percentage of total sales. A bigger net profit margin indicates that a business is more effective at converting revenues into profit. The terms "net profit margin" and "gross profit margin" are not interchangeable. Fixed costs are not included in gross profit calculations. All costs are included in the net profit margin ratio to determine the final benefit of a business's income. Net profit margins are also known as net margin, net profit, net profit ratio, net profit margin percentage, and other phrases. To compute net profit margin and give a net profit margin ratio analysis, you'll need capabilities ranging from a small business owner to a seasoned chief financial officer (CFO). As a result, it is dependent on the company's size and complexity.

One of the most important things to remember is that net profit isn't a measure of how much money a company made in a certain period. This is due to the fact that income statement contains

a lot of non-cash expenses like depreciation and amortization. The cash flow statement is used to determine how much money a company earns.

Empirical studies
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, Moemena et al. (2020) looked on the factors that influence employee turnover at publicly traded construction enterprises in Nigeria's Southwest geopolitical zone. The open-ended questionnaire was produced in accordance with 5-point Likert rating scales and covered all four objectives specified in the work, while the close ended questionnaire was developed in accordance with 5-point Likert rating scales and covered all four objectives stated in the work. The four hypotheses were analyzed and tested at a 5% level of significance using descriptive statistics, correlation, and regression analysis. Onuorah et al. (2019) used Human Capital Theory and Expectancy Theory to evaluate the impact of performance-based compensation, competency-based compensation, and equity-based compensation on employee performance in Nigeria. The 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) 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. Juan Yang et al. (2019) examined the relationship between entrepreneurial leadership and turnover intentions of employees within enterprises established in the last five years. Their paper explored this relationship through multiple serial mediators, specifically, employee affective commitment, job embeddedness, and job satisfaction. A quantitative approach was employed on a sample of 403 participants from 62 ventures. The results demonstrated that entrepreneurial leadership can reduce employee turnover intentions, and the impact is through job embeddedness, job satisfaction, and affective commitment, in series. This study is the first try of a three-serial-mediator model for the relationship between entrepreneurial leadership and turnover intentions, and it leads to a better understanding of the significance of entrepreneurial leadership.

Kim et al. (2017) discovered links between organizational justice, supervisory justice, authoritarian culture, and the quality of the employer-employee relationship and the likelihood of employee turnover. In South Korea, a 300-person online poll was undertaken. They discovered that organizational justice and supervisory justice are positively related to the quality of the employer-employee relationship, but authoritarian organizational culture is negatively related. Furthermore, they discovered a link between an authoritarian organizational culture and the likelihood of turnover.

Letchumanan et al. (2017) investigated the factors that primarily influence employee turnover intentions in Malaysian commercial banks. Their study, which took a procedural approach, provided an in-depth understanding of the variables and circumstances that may influence employee turnover intentions, which could aid in overcoming and reducing employee turnover.

With a sample of 384 employees, Nasir and Mahmood (2016) investigated the determinants of employee retention using a randomization selection of employees from various organizations in Karachi, Pakistan, including the airline industry, pharmaceuticals, banking sector, higher education sector, and FMCG's. Employee retention is strongly dependent and connected with all the independent variables examined in this study, such as job satisfaction, supervisor support, career growth, rewards and recognition, and so on, according to the findings. Oluwaseun (2016) used a sample from a bank in Lagos, Nigeria, to study the impact of employee empowerment and job satisfaction on their intention to stay. Employee empowerment and job satisfaction were assessed using 5-item questionnaires. The intention to stay was assessed using a four-item questionnaire. Employees that are empowered are less likely to quit and are more likely to be satisfied with their jobs. His findings revealed a statistically significant link between employee empowerment and work happiness. Employee empowerment also has a positive relationship with desire to stay; intention to stay is explained by job satisfaction, and job satisfaction acted as a mediator. Omodero et al. (2016) studied the impact of human resource costs on a Nigerian firm's financial performance. The specific goal was to see how much investments in human resources affect profit after taxes and turnover in Nigerian businesses. Secondary data was gathered from ten publicly traded Nigerian companies' financial accounts. The data was analyzed using the OLS technique, and the results show that staff benefit expenses have a positive and considerable impact on profitability, accounting for around 73.9 percent of differences in profit after tax in Nigerian enterprises. However, the results show that Person has no meaningful effect. Using a sample of 450 employees, 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. Employee turnover in Nigerian small and medium construction enterprises was studied by Bilau et al (2015). To get at recent findings, the study uses a literature review approach to analyze existing journals in a relevant topic. The report highlights important strategies for reducing staff turnover in Nigerian construction enterprises to the bare minimum. Employee turnover has a negative impact on job performance because of poor resource management in the company. According to the report, the top financial issues that cause employee turnover in SMCFs are compensation, fringe benefits, lack of financial management, and unfair and opportunistic treatment. The study suggests an urgent need for construction firms to engage in anticipatory strategic planning and approaches to minimize employees' turnover rate. 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. Onuoha (2015) looked into the effect of employee turnover on the performance of a few deposit banks in the Enugu Metropolis. The study used a survey research design because the research tool for data collection was a questionnaire and an oral interview. The Chi-square test was used to test hypotheses 1 and 2, while the Z-test was used to test hypotheses 3 and 4. Poor pay is the primary reason of labor turnover in deposit banks, according to the research. According to the findings, coping with labor turnover necessitates the concerted and ongoing efforts of all employers, employees, and stakeholders of chosen deposit institutions in Enugu Metropolis.

Rizwan et al. (2014) conducted a study on the drivers of employee intention to quit in Pakistan in order to uncover the true reasons of turnover and its negative consequences on productivity in a variety of industries. Their research found that those who feel disadvantaged in comparison to others are more satisfied with their jobs. Furthermore, increased organizational loyalty and job satisfaction lead to a decrease in the desire to leave the company. They also discovered that employee satisfaction had a considerable negative correlation with the likelihood of turnover. Okubanjo (2014) examined the predictive power of organizational commitment and job satisfaction on primary school teachers' turnover intention in Ijebu North Local Government area of Ogun State. Three instruments, turnover intention scale, organization commitment scale and intrinsic motivation inventory were utilized in the study. Multiple regression (stepwise) and simple percentage were used for analysis. Findings showed that the two determinant variables (organizational commitment and intrinsic motivation) when taken together, determined the criterion variable (turnover intention). Finding also indicated that organization commitment was the most potent contributor to the prediction of turnover intention of primary school teachers.

Nangih, et al (2020) quoted oil and gas companies in Nigeria. Moemena, et al (2020) quoted companies in Southwest geo-political zone in Nigeria. Onuorah et al. (2019) result showed that compensations had no negative significance effect on employee performance. Juan Yang, et al (2019); Atitsogbui et al. (2019) showed no statistically significant relationship between nurses' turnover intention and job fit. Akinyomi (2016) indicates that employees' turnover has cost implications to the organization which include but not limited to vacancy advertisement, interview, recruitment and training of new hire, loss of productivity, and cost of inefficiency of the new staff. Nasir and Mahmood (2016) showed that employee retention is highly dependent and correlated with all the independent variables identified in this study such as job satisfaction, supervisor support, career development, rewards and recognition

Methodology

Research Design

Ex-Post Facto research was used in this study. 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.

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.

The sources of data include annual reports and accounts of Nigerian banks selected for this study.

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 variables and single dependent variable. Regression analysis is well suited to two broad classes of research problems; prediction and explanation (Hair et al., 2010).

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:

$$Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where:

Y = Performance (dependent variable)

X = staff turnover cost (explanatory/independent Variable)

β_0 = constant term (intercept)

β_1- β_4 = 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:

$$PRM_{it} = \beta_0 + \beta_1 STRC_{it} + \beta_2 IFR_{it} + \mu_{it}$$

$$ROA_{it} = \beta_0 + \beta_1 STRC_{it} + \beta_2 IFR_{it} + \mu_{it}$$

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

PRM_{it} = Profit margin firm ί in period t

ROA_{it} = Return on assets of firm ί in period t

IFR_{it} = Inflation rate of 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.

Operationalization of Hypotheses Variables

Table 1: Description of variables

Variables	Types	Description and Measurement
Staff turnover cost	Independent variable	Staff salary, Training cost and Number of employees separated during the period by the average number of employees
profit margin	Dependent variable	Profit before tax/ turnover
Return on assets	Dependent variable	Net income/total assets
Inflation rate	Control variable	Sourced from Central Bank of Nigeria Statistical Bulletin, World Bank Statistical Bulletin and National Bureau of Statistics (various issues).

Data Analysis

Table 2: Descriptive Statistics

	STRC	PRM	ROA	IFR
Mean	10.35460	0.180940	0.016077	11.75000
Median	9.453410	0.172094	0.015025	11.74500
Maximum	14.78337	0.236345	0.027309	16.52000
Minimum	6.457850	0.123241	0.005529	8.060000
Std. Dev.	3.165656	0.035475	0.006635	2.855871
Skewness	0.285536	0.003256	0.184058	0.331088
Kurtosis	1.615523	1.979267	2.151400	2.074040
Jarque-Bera	0.934541	0.434141	0.356513	0.539950
Probability	0.626710	0.804873	0.836728	0.763399
Sum	103.5460	1.809398	0.160772	117.5000
Sum Sq. Dev.	90.19238	0.011326	0.000396	73.40400
Observations	10	10	10	10

Source: E-Views 9.0 Descriptive Output, 2021

Interpretation

Table 2 presents the descriptive statistics for the dependent variables (PRM, and ROA) and the independent variable (STRC), while IFR 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, 0.007and 2.856 for STRC, PRM, ROA and IFR respectively. For such distributions, it is the case that 317%, 4%, 0.7% and 286% of values are less than one standard deviation (1SD) away from the mean values of STRC, PRM, ROA, and IFR 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 3: Pearson Correlation Matrix

	STC	PRM	ROA	IFR
STC	1			
PRM	-0.64881	1		
ROA	-0.80914	0.89241	1	
IFR	0.22396	0.02487	-0.15866	1

Source: E-Views 9.0 correlation output, 2021

Interpretation of Pearson Correlation Matrix

Correlation analysis aids in determining the degree of association between two or more variables. Pearson correlation coefficient was used to assess the strength of direction of the association between the variables. The Pearson correlation analysis reveals that profit margin (PRM) and return on assets (ROA) correlates negatively with IFR. Meanwhile, PRM and ROA correlate negatively with STRC.

Test of Hypotheses

Ho_1 Staff turnover cost has no impact on profit margin of Nigerian banks.

H_{I1}: Staff turnover cost has a positive impact on profit margin of Nigerian banks.

Table 4: Panel Least Regression analysis showing the relationship between STRC, PRM, and IFR

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

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.272103	0.052708	5.162460	0.0021
STRC	-0.013074	0.004894	-2.671641	0.0369
IFR	0.001149	0.003439	0.334016	0.7497
R-squared	0.585236	Mean dependent var		0.180940
Adjusted R-squared	0.377855	S.D. dependent var		0.035475
S.E. of regression	0.027982	Akaike info criterion		-4.025366
Sum squared resid	0.004698	Schwarz criterion		-3.904332
Log likelihood	24.12683	Hannan-Quinn criter.		-4.158140
F-statistic	2.822025	Durbin-Watson stat		2.940931
Prob(F-statistic)	0.129338			

Interpretation of Regression Result

In table 4, a panel least square regression analysis was conducted to test the impact between profit margin (PRM) 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, the value of adjusted R squared was 0. 38, indicating that there was variation of 38% on profit margin due to changes in STRC. This implies that only 38% changes in profit margin of banks could be accounted for by STRC, while 62% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate that; P(x_1= 0.037<0.05; and x_2= 0.750>0.05. The co-efficient value of; β_1= -0.013074 for STRC implies that STRC is negatively related to PRM, though but statistically significant at 5% level of significance.

The Durbin-Watson Statistic of 2.940931 suggests that the model does not contain serial correlation. The F-statistic of the STRC regression is equal to 2.822025 and the associated F-statistics probability is equal to 0.129338, 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 of 0.037 is less than the critical value of 5% (0.05), then, it would be upheld that staff turnover cost has a negatively impact on profit margin of Nigerian banks, but statistically significant at 5% level of significance, thus, H_1 is preferred over Ho.

Hypothesis 2

Ho_2: Staff turnover cost does not affect returns on assets of Nigerian banks

H_{I2}: Staff turnover cost has a positive effect on return on assets of Nigerian banks

Table 5: Panel Least Regression analysis showing the relationship between STRC, ROA, and IFR

Dependent Variable: ROA				
Method: Least Squares				
Date: 01/01/22 Time: 20:27				
Sample: 2011 2020				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.041774	0.005705	7.322876	0.0003
STRC	-0.002949	0.000530	-5.567863	0.0014
IFR	-0.000195	0.000372	-0.522848	0.6198
R-squared	0.861102	Mean dependent var		0.016077
Adjusted R-squared	0.791652	S.D. dependent var		0.006635
S.E. of regression	0.003028	Akaike info criterion		-8.472367
Sum squared resid	5.50E-05	Schwarz criterion		-8.351333
Log likelihood	46.36183	Hannan-Quinn criter.		-8.605141
F-statistic	12.39902	Durbin-Watson stat		2.209513
Prob(F-statistic)	0.005548			

Interpretation of Regression Result

In table 5, a panel least square regression analysis was conducted to test the impact between return on assets (ROA) 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 5, the value of adjusted R squared was 0.79, an indication that there was variation of 79% on return on assets due to changes in STRC and inflation rate (IFR). This implies that only 79% changes in return on assets of banks could be accounted for by STRC, and IFR, while 21% was explained by unknown variables that were not included in the model. The probability of the slope coefficients indicate that; $P(x_1= 0.001<0.05; x_2= 0.6198>0.05$. The co-efficient value of; $\beta_1= -0.003$ and -0.000 for STRC and IFR respectively, implies that STRC and IFR are negatively related to ROA, though not statistically insignificant at 5%. The Durbin-Watson Statistic of 2.209513 suggests that the model does not contain serial correlation. The F-statistic of the STRC regression is equal to 12.39902 and the associated F-statistics probability is equal to 0.005548, 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 Prob(F-statistic) of 0.005548 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 assets of Nigerian banks, but statistically significant at 5% level of significance, thus, H_1 is preferred over Ho.

Discussion of Findings

Hypothesis one shows that the P-value of 0.037 is less than the critical value of 5% (0.05), then, it would be upheld that staff turnover cost has a negatively impact on profit margin of Nigerian banks, but statistically significant at 5% level of significance.

In hypothesis two, the Prob(F-statistic) of 0.005548 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 assets of Nigerian banks, but statistically significant at 5% level of significance.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study determined the impact of staff turnover on the financial performance of Nigerian banks. Panel data approach, for a period of 10 years (2011-2020) was adopted. The data were analyzed using regression technique with aid of E-view 9.0 at 5% level of significance. The study revealed that staff turnover cost has a negative impact on profit margin and return on assets of Nigerian banks. However, inflation rate has negative and insignificant impact on profit margin and return on assets. This actually proves that Banks in Nigeria need to find all possible means to maintain their existing employees in order to continue the relationship they had already established with customers.

Recommendations

Based on the findings of this study, the researcher suggests the followings;

1. There is a pressing need for Nigerian commercial banks to participate in proactive strategic planning and initiatives to reduce staff turnover. As a result, the management should try to ensure that its trained and experienced staff has all of the necessary comfort and ease to accomplish their jobs.
2. As a technique for addressing employee turnover in their business, bank management should develop a welcoming work environment for employees.

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