

Employees' Compensation Packages and Profitability of Consumer Goods Firms in Nigeria

ABSTRACT

The study examined the effect of wages and salaries, bonuses and incentives, and training costs on the return on capital employed of sampled consumer goods firms in Nigeria. Data were collected from annual financial reports of the firms for the period, 2013-2022. The research adopted an *ex-post facto* research design. The systematic Sampling technique was used to select a total of four (4) companies for the study. The analytical tool used for the study was ordinary least square multiple regression. Results of the test of hypotheses indicate that Wages and Salaries have a negative but significant effect on Return on Capital Employed. Bonuses and Incentives have a negative and insignificant effect on the Return on Capital Employed however; training Cost has a positive and significant effect on the Return on Capital Employed of consumer goods firms in Nigeria. The study suggests that Wages and salaries should not be higher than the value addition made by the employees and labourers, rewards should be directly related to performance and as wanted by the recipient and Training of staff is very pertinent to a company's overall success.

Keywords: Wages and Salaries, Bonuses and Incentives, Training Cost, Return on Capital Employed, Consumer Goods Firms, Financial Performance, Employee Compensation

1. INTRODUCTION

“Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility” (Pitts, 1995). “The principal reward for performing work is pay, many employers also offer reward packages of which wages and salaries are only a part. The packages typically include bonuses, pension schemes, health insurance, allocated cars, beneficial loans, subsidized meals, profit sharing, share options and much more” (Pitts, 1995).

Negash et al. (2014) define “employees’ benefit packages as all forms of pay or reward going to employees and arising from their employment.

The rewards include direct compensation, indirect compensation and non-financial rewards”. Hajipour and Shooshtari (2009) assert that “the main objectives of employee benefit packages or compensations are for, the attraction of competent employees, protection of competent employees and motivation of hardworking employees. The most important characteristics of compensation services are: providing essential and basic needs of employees, creating motivation and encouragement needed for work in employees such as being logical, just, mutually agreeable and economically feasible”.

Employees are the organization's key resource and the success or failure of organizations centers on the ability of the employers to attract, retain, and reward appropriately talented and competent employees. Armstrong (2003) posits that "employees' willingness to stay on the job largely depends on compensation packages and other rewards of the organization". Atkinson, Banker, Kaplan, Young (2001) state that "compensation packages frequently are suggested as a method for motivating and improving the performance of persons who use and are affected by accounting information and their use in the organization". Falola et al. (2014) submit that "in an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results". Osibanjo et al. (2012) argued that "the degree to which employees are satisfied with their job and their readiness to remain in an organization is a function of the compensation packages and reward system of the organization".

Oshagbemi (2000) opines that "organizations that have goals to achieve would require satisfied and happy staff in their workforce". Arthur (2002) opines that research, investigating the strategic implications of human resource management (HRM) practices has found that firms' human resource management practices have significant implications for organizational

performance. Becker and Huselid, (1998) submit that compensation systems have been shown to play a major role in human resource practices' effects on organizational-level results.

Performance can be assessed using various measurements, both internal and external. Internal measurements might include financial indicators such as stock price, earnings per share, net income, return on capital employed, return on equity, and revenue growth. Non-financial targets are product quality, customer satisfaction, building an excellent investor base, managing risk and reputation. Performance can also be evaluated about the performance of a peer group of companies through return on capital employed, earnings per share and total shareholder return.

According to Kouzes and Posner (2003), "organizations are set up to achieve some set objectives. To achieve these, the human factor is of utmost importance. Human Resources Management is important in the pursuit of the organization's core values".

When strong financial incentives are in place, many employees will cross ethical boundaries to earn them, convincing themselves that the end justifies the means. When employee values a reward, they often choose the shortest, easiest path to attaining it. In addition to encouraging bad behaviour, financial incentives carry the cost of creating pay inequality, which can fuel

labourturnover and harm financial performance. When financial rewards are based on performance, managers and employees doing the same jobs receive different levels of compensation.

The study attempts a solution to the problem of the right mix and extent of compensation to employees that will be just enough as motivation and encouragement to work harder while at the same time obeying the ethics of the profession. The researcher is aware of the fact that at a certain limit, compensation becomes counter-productive, leading to ostentatious consumption and false life with a decrease in profitability as a consequence. Hence, the study examines the effect of wages and salaries, bonuses and incentives, and training costs on the return on capital employed by the sampled consumer goods firms in Nigeria.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Compensation Package

“Compensation packages entail some basic rewards that tend to motivate employees to higher performance on their jobs which includes salaries, bonuses, incentives, allowances, promotion, and recognition” (Werner, 2001). Mostly, individuals with good education are unsatisfied with their job and salary packages

and it results in employee turnover. Consequently, organizations design compensation plans for high-profile employees to stop them from resigning at will by consciously and intentionally motivating them. In other words, you can say that compensation motivates employees for better performance.

2.1.2 Wages and Salaries

A salary is a form of periodic payment from an employer to an employee, which may be specified in an employment contract (Wikipedia). It is contrasted with piece wages, where each job, hour or other unit is paid separately, rather than periodically. Heathfield (2016) opines that “salary can be viewed as the cost of acquiring and retaining human resources for running operations, and is then termed personnel expenses or salary expenses. In accounting, salaries are recorded in payroll accounts. Salary is a fixed amount of money or compensation paid to an employee by an employer in return for work performed. Salary is commonly paid in fixed intervals, for example, monthly payments of one-twelfth of the annual salary”.

Christoph (2015) studied “effects of employee social capital on wage satisfaction, job satisfaction and organizational commitment from 2010 to 2013. His objective was to examine the effect of Civic Social Capital (denoting personal trust and associational activity) and Workplace Social Capital (social interaction with colleagues

and trust towards management) on job satisfaction and organizational commitment. The study used ex post facto design while the analytical tools used were a normality test and error correction model. It was therefore found that once workplace social capital is controlled for in regressions on work-related attitudes, social trust becomes insignificant. Thus, workplace social capital serves as a transmission mechanism converting social trust into enhanced rates of both wage/job satisfaction and in particular organizational commitment”.

Hendra and Rezki (2015) studied “wages and employees’ performance: the quality of work life as moderator. The objective of the study was to know whether the effect of wages on employees’ performance is moderated by the quality of work life. The type of data being used is the secondary data from the annual report of listed companies in Nigeria. Correlation and regression analysis were used for this study. The result showed a significant negative effect on the wages of employees’ performance”.

2.1.3 Bonus and Incentives

“Incentive compensation is a type of compensation based on the performance of an entity. Often incentive compensation plans are designed to attract and retain key employees, identify with shareholders, and align the interests of employees and the company” (Njoroge&Kwasira 2015). Investopedia (2016)

defined a bonus as an additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to duty in the company. Heathfield (2016) “bonus pay is compensation over and above the amount of pay specified as a base salary or hourly rate of pay. In the United States, many corporations pay their executives and employees incentive bonuses based on multiple performance measures. Executives might receive the following forms of compensation: a base salary, an annual bonus plan, stock options, and additional compensation. Compensation plans are often based on net income and stock prices of the company or some other performance measures”.

There is a wide spectrum of incentive compensation arrangements: annual cash bonus plans, deferred bonus plans, stock grants, restricted stock grants, stock appreciation right plans, phantom stock plans, etc. For instance, under the stock appreciation right plan, a plan participant has the right to receive the appreciation in stock value. In restricted stock grants, employees are awarded the company’s shares, subject to a vesting schedule. Irvine (2011) sees “a bonus as a periodic payment to employees beyond their base pay, generally associated with an employee achieving specific objectives or for the company achieving specific

milestones or metrics”. Bonuses are usually paid quarterly, semi-annually or annually. Bonuses are a form of “if, then” payments – “If you achieve, then you will receive”. Bonuses often become “entitlements” employees expect to receive even if the company is not performing well. Also, employees often don’t understand how they contribute to achieving the metrics.

2.1.4 Training Cost

Training is one of the main functions that directly contribute to the development of employees. Batool and Batool, (2012) opine that organizations investing considerably in training justify their investment by the contribution training makes to improve individual and firm performance. Training and development cost employed by organizations helps them to enhance employee skills and firm performance (Solke&Chaudhary, 2011). Rajashekharaiyah (2014) asserts that training and development is also attract, develop, and retain a diverse workforce that helps in providing the different skills required to maintain and improve the firm performance. Chow (2005) opined that training and development are the components of HPWSs. The components of training and development activities include formal training, develop employee skills and impart knowledge beyond the current position through job training, induction training program for newcomers and

training programs for present employees (Okpo, 2023; Tonye, 2022; Nwachukwu&Worlu, 2023).

2.1.5 Return on Capital Employed (ROCE)

Return on Capital Employed (ROCE) is a profitability ratio that helps determine the profit that a company earns for the capital it employs. ROCE is measured by expressing Net Operating Profit after Taxes as a percentage of the total long-term capital employed. In other words, ROCE can be defined as a rate of return earned by the business as a whole. Like return on equity (ROE), which calculates the percentage return of equity shareholders, ROCE calculates the percentage return of all the capital providers together. If a business is financed completely by equity, ROE and ROCE will be the same. It is a useful metric for comparing profitability across companies based on the amount of capital they use (Ivanceikh&Glueck, 1989). The ROCE trend over the years is also an important indicator of performance. In general, investors tend to favour companies with stable and rising ROCE numbers over companies where ROCE is volatile and bounces around from one year to the next.

Return on capital employed (ROCE) is the ratio of the net operating profit of a company to its capital employed. It measures the profitability of a company by expressing its operating profit as a percentage of capital employed. According to Katou (2008), capital employed is the sum of

stockholders' equity and long-term finance. Alternatively, capital employed can be calculated as the difference between total assets and current liabilities. The formula to calculate **the return** on capital employed is:

2.2 Theoretical Review

There are several theories underpinning the study on compensation packages and profitability. Some of these theories **are Expectancy** Theory by Vroom (1964) **and the Goal-Setting** Theory by Locke (Locke (1968) in "Toward a Theory of Task Motivation and Incentive". The study was anchored on goal setting theory because the study focuses on motivation through compensation packages to achieve profitability goals of manufacturing firms in Nigeria.

2.2.1 Goal-setting Theory

Goal setting involves the development of an action plan designed to motivate and guide a person or group toward a goal. Goal setting can be guided by goal-setting criteria (or rules) such as SMART criteria. Goal setting is a major component of personal development and management literature. Studies by Locke (1968) and his colleagues, published in an article titled "Toward a Theory of Task Motivation and Incentive" have shown that more specific and ambitious goals lead to more personal improvement than easy or general goals. As long as the person accepts the goal, **can attain** it, and

does not have conflicting goals, there is a positive linear relationship between goal difficulty and task performance.

2.3 Empirical Review

Osibanjo et al. (2014) studied "compensation management and organizational commitment in developing economies: **an Indian perspective**. The objective of the study was to examine the effect of compensation on organizational commitment. This study was based on data obtained from the financial **statements of** five companies in India from 2000 to 2010. The data explored the connection between compensation management and organizational commitment. Unit root **tests and** ordinary least squares were used for the study. It was **found that** benefits **have a direct link** with job stability; similarly, training and salary **packages have a strong** link with organisational commitment. It was therefore recommended that there is **a need** for the Management to strike a balance between these variables in order not to be deceived that once there are promotional and training opportunities, employees will remain on their jobs".

Using a sample of 126 workers **in the** work at Local Apparatus Work Unit (LAWU) at Local Revenue **Management Kendari** et al. (2014) investigated "the effect of compensation on **motivation, and organizational** commitment on employee performance. The data analysis from

SEM (Structural Equation Model) indicated that compensation **has a significant** effect on motivation and organizational commitment, but does not **have a significant** effect on employee performance. The study posits that compensation cannot directly improve employee performance thus contradicting the earlier assertions that compensation has a direct effect on performance”.

Ojeleye (2017) explored “the impact of remuneration on employees' performance. Primary data was obtained from the respondents **using a structured** questionnaire to solicit data on remuneration and performance. The dependent variable was employees' performance while the independent variable was remuneration (salary/wages, bonus/incentives). Pearson correlation and multiple regression analysis were used to analyze the data. **Findings from** the analysis suggest that there is a strong and positive relationship between remuneration and employees' performance and that salary and wages, **bonuses and** incentives also serve as a form of motivation to the employees”.

Okeke et al. (2017) examined the impact of effective wages and salary administration on civil service productivity in Nigeria with specific reference to Anambra State. Percentages, mean ratings, Chi-square test, and T-test for **independence were** employed in analyzing the data. **The finding** revealed that employees need

effective salary and wage administration to achieve high productivity in the civil service.

Oyeleye (2017) examined “the impact of remuneration on employees' performance. Pearson correlation and multiple regression models were used to analyze the data. The finding showed that there is a strong and positive relationship between remuneration and employees' performance and that salary/wages and bonus/incentives also serve as a form of motivation to the employees”.

Abdullahi et al. (2018) investigated “the effect of training and development on employee productivity **among the academic** staff of Kano State Polytechnic, Nigeria. A sample size of two hundred and thirty-three (233) **respondents was** **randomly** selected out of five hundred and ninety (590) academic staff that serve as the population of the study. A close-ended questionnaire with the Likert Scale option was used as the method of data collection while multiple regression analysis was used to test the hypothesis. The result showed that there is a positive and significant effect of training and development on employee productivity”.

Tahmeem and Sadia (2018) investigated “the impact of work environment, compensation and motivation on the performance of employees in the insurance companies of Bangladesh. A structured questionnaire was developed by using **a Likert** 5 scale and **applied to** 150 respondents.

Structural equation modelling was applied to the collected data and it revealed that all the factors significantly create impact on the employees' performance”.

Using Partial Least Square (PLS), Suleiman et al. (2018) assessed the impact of employees' training on an organization profitability. Regression techniques were used for the data analysis. The finding showed no connection between on-the-job training and organization profitability while a significant link between specialized training and organization profitability was found.

Onuorah et al. (2019) carried out a study on compensation management and employee performance in Nigeria. The study adopted a descriptive survey research design. The instrument for data collection was a structured questionnaire while the face content validity of the instrument was an employee. In analyzing the data for the null hypotheses, the Z-test was used to test the hypotheses at a 0.05 level of significance. It was discovered that compensation management has a significance effect on employee performance in Nigerian organization.

Naji et al. (2020) investigated the effect of training on employees' performance in oil and gas companies operating in Yemen. The data was analyzed using Smart PLS 3.0 to test the hypothesis that comprised the two factors of

training and employee performance. Bootstrapping was performed to investigate the standard error of the estimate and t-values. The result showed that training has an obvious and positive effect on employee performance in Yemen's oil and gas companies. And their performance is influenced by the training.

Onyekwelu et al. (2020) investigated “remuneration as a tool for increasing employee performance in Nigerian. The research adopted survey and descriptive research technique in analyzing data acquired from Bottling Companies in Nigeria while hypotheses was tested using Regression analysis and ANOVA. It was found that remuneration assumes a significant role in increasing workers' performance in an organization. The study therefore suggests that organizations ought to embrace the right remuneration tool that meets the craving of their workers to increase their output”.

Rukumba (2021) examined “the role of human resource management practices in Kenya's telecommunications industry performance. Specifically, the study determined the effect of recruitment & selection, training & development, performance management, and reward systems on the performance of the telecommunication industry in Kenya. The data gathered was analyzed using descriptive and inferential analyses. Simple and multiple regression models were estimated. The finding revealed that

recruitment & selection, training & development, performance management, and reward systems have a positive and significant effect on the performance of the telecommunication industry in Kenya”.

2.4 Gap in Empirical Review

The literature reviewed reveals that many studies were done on how the financial performance of companies responds to the compensation packages of such firms. Most of the studies such as Naji et al. (2020), and Rukumba et al. (2021), were done outside Nigeria. Secondly, a reasonable number of the literature reviewed such as Okeke et al. (2017), Abdulahi et al. (2018) and Rukumba (2021) were done in Nigeria and outside the consumer goods sector.

It was discovered that most of the studies conducted in related consumer goods areas have become outdated and the findings obsolete, and might have lost relevance as a result of the effluxion of time, technological changes and other factors. The need to update, and re-analyzed with current data and test with more critical current liability variables motivated the research.

3. METHODOLOGY

The research design chosen for this study was ex-post facto, focusing on assessing the influence

of employees' compensation packages on the profitability of consumer goods firms in Nigeria. The study primarily relied on historical data spanning the years 2013 to 2022. Utilizing secondary data sources, specifically cross-sectional data extracted from the annual reports and accounts of selected consumer goods firms, the research aimed to establish a comprehensive understanding of the relationship between compensation packages and firm profitability.

Centred within the consumer goods sector of Nigeria, the study targeted publicly quoted firms that were listed on the Nigerian Exchange Group (NGX) as of the culmination of 2022. The population under consideration consisted of twenty-six consumer goods firms. Employing a Systematic Sampling Technique, the study derived a sample size of four firms from this population. Notably, the selected firms (Unilever Nigeria Plc., Flour Mills Nigeria Plc., Guinness Nigeria Plc., and Nigerian Breweries Plc.) demonstrated consistent and relevant data availability for the entire decade between 2013 and 2022. This strategic selection aimed to provide a focused and insightful analysis of the interplay between compensation structures and financial performance within the consumer goods sector of Nigeria.

The panel multiple regression model was statistically specified as follows:

$$ROCE = \beta_0 + \beta_1 (WASA)_t + \beta_2 (BONI)_t + \beta_3 (TRAC)_t + \epsilon_t$$

Where;

ROCE	Return on Capital Employed
WASA	Wages and Salaries
BONI	Bonus and Incentive
TRAC	Training Cost
ε	Stochastic disturbance (Error) Term
β_0	Coefficient (constant) to be estimated
$\beta_1 - \beta_3$	Parameters of the independent variables to be estimated
t	Current period

4. RESULTS

Figure.1 (See Appendix I) indicates ROCE has an inverse pattern of movement with Wages and Salaries (WASA) and Benefits and Incentives

(BONI). The highest points for WASA and BONI were the lowest points for ROCE. In the industry, Training Costs share similar pattern of movement with Return on Capital Employed.

Table 1: Descriptive Statistics

	ROCE	WASA	BONI	TRAC
Mean	0.203471	13078984	1180620.	709473.9
Maximum	0.596000	31527145	4374094.	2233463.
Minimum	0.024000	2698008.	283169.0	131008.0
Skewness	1.050252	0.736601	2.127692	1.050495
Kurtosis	3.020832	2.022459	7.099471	2.430472
Jarque-Bera	6.251112	4.428373	49.46143	6.712908
Probability	0.043913	0.109242	0.000000	0.034859
Observations	40	40	40	40

Source: Eviews 10.0 Statistical Software

The normality of the distribution of the data series is shown by the coefficients of Skewness, Kurtosis, and Jarque-Bera Probability. Table.1 reveals that except for WASA, the probability of the Jarque-Bera Statistics for all other explanatory variables have significant p-values

as follows, Return on Capital Employed (0.043913), Bonuses and Incentives (0.000000), and Training Cost (0.034859). The significant p-values for ROCE, BONI and TRAC show that the frequency of their time series **data is not** normally distributed thereby

accepting the null hypothesis of JB Statistics that the frequency of the time series data is not normally distributed. The 0.109242 insignificant p-value for WASA, depicts normal frequency distribution of the time series data.

Dependent Variable: ROCE

Method: Least Squares

Date: 03/24/23 Time: 12:33

Sample: 0001 0040

Included observations: 34

Table2: Regression Analysis Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
WASA	-1.36E-08	3.56E-09	-3.810758	0.0006
BONI	-4.89E-08	2.65E-08	-1.843193	0.0752
TRAC	1.65E-07	4.54E-08	3.637542	0.0010
C	0.321422	0.056985	5.640439	0.0000
R-squared	0.380398	Mean dependent var		0.203471
Adjusted R-squared	0.318438	S.D. dependent var		0.160456
S.E. of regression	0.132467	Akaike info criterion		-1.094833
Sum squared resid	0.526427	Schwarz criterion		-0.915261
Log-likelihood	22.61216	Hannan-Quinn criter.		-1.033594
F-statistic	6.139393	Durbin-Watson stat		2.119195
Prob(F-statistic)	0.002206			

Source: Eviews 10.0 Statistical Software

Table 2, indicates that a unit change in WASA and BONI will decrease ROCE by approximately -1.3600 and -4.8900 respectively. The effect of WASA on ROCE is significant and negative with a p-value of 0.0006, while BONI has an insignificant negative effect on ROCE with a p-value of 0.0752. The p-value for TRAC is significant at 0.0010 and positive with a

coefficient of approximately 1.65000in Nigeria's consumer goods sector.

Interpretation of Durbin Watson- Statistic

The Durbin-Watson statistic is 2.119195 which is approximately 2. The Durbin-Watson statistic result indicates the absence of positive autocorrelation in the series. The result indicates the absence of positive serial correlation in the

time series data extracted from the annual report and accounts of firms in the Consumer Goods Sector of the manufacturing industry in Nigeria.

Coefficient of Determination (R^2)

The Adjusted R-squared is 0.318438. The adjusted R^2 reveals that only about 32% of the variations in ROCE (dependent variable) could be explained by the explanatory (independent) variables of WASA, BONI and TRAC as considered in the analysis. The remaining 68% is quite significant and could be explained by other factors capable of influencing ROCE but not captured in this study; such as government regulation, training, advertisement, nature of product, distribution channel, demand, credit policies etc. and the error term. This result shows that there are still other critical determinants of profitability not measured in this study.

Test of Hypotheses

Decision Rule: Reject H_0 if the p-value of the regression is less than the A-value calculated at 0.05, and accept the null hypothesis if the reverse becomes the case.

Hypothesis One: Wages and salaries do not significantly affect the return on capital employed by consumer goods firms in Nigeria.

Decision: From the panel regression analysis in Table 2. the p-value of 0.0006 is < 0.05 . Therefore, the null hypothesis is rejected and the alternative hypotheses are accepted. This implies that Wages

and Salaries have a negative but significant effect on the Return on Capital Employed by consumer goods firms in Nigeria.

Hypothesis Two: Return on Capital Employed is not significantly affected by Bonuses and Incentives of consumer goods firms in Nigeria.

Decision: From the panel regression analysis in Tables 2., the p-value of 0.0752 is > 0.05 . Therefore, the null hypothesis is accepted and this implies that Bonuses and Incentives have a negative and insignificant effect on the Return on Capital Employed by consumer goods firms in Nigeria.

Hypothesis Three: Training cost does not significantly affect the Return on Capital Employed by consumer goods firms in Nigeria.

Decision: From the panel regression analysis in Tables 2., the p-value of 0.0010 is < 0.05 . Therefore, the null hypothesis is rejected and the alternate hypotheses are accepted. This implies that Training Costs have a positive and significant effect on the Return on Capital Employed by consumer goods firms in Nigeria.

5. DISCUSSION

The regression analysis in Table 2. shows that wages and salaries have a negative and significant effect on the return on capital employed by consumer goods firms in Nigeria. The negative and significant effect could be viewed as an

abnormality but in this case, wages are part of cost of production and the higher the cost of finished goods, the more tendency that customers could begin to source for alternatives. Secondly, profit/ROCE is a function of turnover and not that of quantity produced. There has to be effective demand before turnover could equate production. Most times, this scenario doesn't always occur because of acute competition and influx of possible alternatives. The findings of this study are not in tandem with that of Ileka and Muogbo (2020), Okeke et al (2017), Ubesie, Eneh and Udeh (2019), Ojeleye (2017), Nangih et al. (2020) and Oyeleye(2017), which found a strong and positive relationship between wages and salaries and profitability. Hara (2017) and Omodero et al. (2016), in their separate studies, tilted towards the position of this study.

Regression analysis in Table 2., reveals that bonuses and incentives have a negative and insignificant effect on return on capital employed of consumer goods firms in Nigeria. The result did not meet the researchers'*a priori* expectations because bonuses and incentives to employees should logically raise their performance to meet business goals. Consequently, the researcher conducted a more in-depth **analysis of the reasons** behind this result and found that the bonuses and **incentives were not properly channelled to those employees** who could stir **up a higher** turnover in alignment with product demand and production capacity. Ileka and

Muogbo(2020), Campbell (2015),Obasan (2012), Okeke et al (2017), Robina et al. (2013), Osibanjo et al. (2014), Mohammad (2018), Olayinka et al. (2017), Anarado, (2015), Mussie et al. (2013), Omodero et al. (2016) and Oyeleye(2017), also found a strong and positive relationship between bonuses and incentives and profitability which negates the findings of this study. Muchai et al. (2018), Hendra and Rezki (2015), Egbunike, (2015) and many other researchers had their findings in alignment with this study.

Table.2. shows that training cost have a positive and significant effect on return on capital employed of consumer goods firms in Nigeria. The result meets the researchers *a priori* expectations because training enhances the capabilities of employees which will enable most organizations meet their goals and objectives. In training, **employees can** learn new concepts, refresh their skills, improve their work attitude and boost productivity. Naji et al. (2020), Abdullahi et al. (2018), Rukumba (2021) and Ubesie, Eneh&Udeh(2019), also found a strong and positive relationship between training and profitability. However, Suleiman et al. (2018), had a contrary position in related research.

6. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The outcomes of this research can be summarized as follows: Firstly, wages and salaries exhibited a noteworthy negative impact on the Return on

Capital Employed for consumer goods firms in Nigeria. Secondly, bonuses and incentives displayed a negative influence on the Return on Capital Employed, albeit without statistical significance. Lastly, training costs were found to have a positive and significant correlation with the Return on Capital Employed for consumer goods firms operating within Nigeria.

6.2 Recommendations

The whole essence of business is to increase the wealth of the shareholders who mobilized the capital resources used in the business. Organizations strive to increase the returns on resources invested in the business. Achieving this is partly dependent on the human resource management policies and practices of the organization. The major part of human resource or personnel management is compensation, motivation and training. An organization that manages the above effectively will go a long way in improving the wealth of the shareholders and expanding stakeholders in general. Expectancy theory proposes that performance at the individual level depends on high motivation, possession of necessary skills and abilities and an appropriate role and understanding of the role. The extent firm's performance responds to the compensation plan of the organization, especially manufacturing firms led to this study. The researchers hereby conclude that the effect of wages and salaries, bonuses and incentives and training cost on

profitability of firms is a factor of governance mechanisms, competitiveness of products and prices, quality, experience and qualification of workers, distribution channels and product acceptance rate. The study therefore, recommends that consumer goods firms in Nigeria are advised to meticulously design compensation plans that balance wages and salaries with earnings capabilities while maintaining competitiveness in the sector. Attention should be given to aligning remuneration with the value added by employees, considering the direct link between wages and the cost structure of goods, crucial for pricing commodities. Secondly, organizations are urged to establish a direct connection between rewards and individual performance, ensuring that rewards correspond to merit and recipient preferences. Caution is advised in the distribution of bonuses to prevent counterproductive outcomes and potential resentment among unrewarded individuals. Lastly, an emphasis is placed on ongoing employee training, specifically in cost reduction strategies and specialization techniques. Such training is deemed vital for navigating the dynamic business landscape, fostering improved workforce skills and contributing to overall organizational success.

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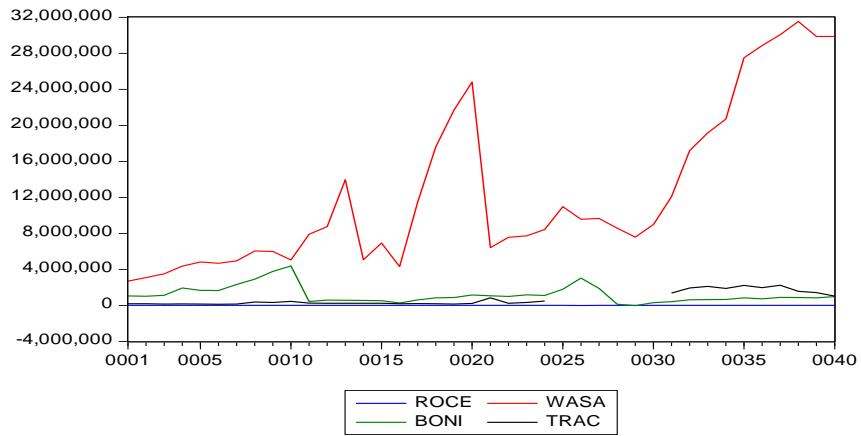
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Appendix I

Figure 1: Line Graph for Industry Level Panel Data



Source: Eviews 10.0 Output

UNDER PEER REVIEW