



Employee Value Creation, Governance Structure and Financial Sustainability of Nigerian Listed Deposit Money Banks

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ABSTRACT

This paper examined the impact of employee value creation on the financial stability and profitability of the listed deposit money banks in Nigeria moderated by governance structure. The study covers 12 banks out of 14 banks whose complete data are between 2015 and 2024. It uses ex-post facto research design, panel data regression and panel corrected standard errors (PCSE) to control for auto serial correlation. The value of employees is measured in employee value added share (EVA), revenue per employee (RPE), and the human capital efficiency (HCE). Governance proxies are Board size (BS) and independence of remuneration committee (RCI). The Altman Z-score and the return on sales (ROS) are used to evaluate firm performance. The findings indicate that HCE positively and significantly impacts the measure of Z-score. Both HCE and RPE increase profitability in a positive and significant way. The interaction of BS and HCE as moderating effect diminishes stability and profitability, this suggests that excessive board size constrains the benefit of employee efficiency. The research paper points to the necessity to enhance the productivity of human capital, streamline the board structures, increase the efficiency of employee value creation through good governance to retain long-term financial stability.

Keywords: Value Creation, Banks, Profitability, Altman Z-Score

JEL Classifications: M40, M41, M42

1. INTRODUCTION

The banks of today are entitled to a greater extent based on their capacity to identify and scale up the value creation among the employees. Caring of the employees and motivation encouragement in the deposit money banks is not only important to the quality of service but also the risk management and financial stability. The stakeholder theory indicates that employees are imperative stakeholders bearing in mind their input towards the organization being able to maintain and contribute to long-term performance. Thus, the reputational benefits, enhanced operational effectiveness, and improved financial performance arise with the investments in policies that are friendly to the staff (Edmans, 2012). Talent competition also encourages banks to increase their workplace standards in order to attract and retain talented employees (Ghaly et al., 2015).

The human capital provides competitive benefits of increasing productivity and resilience. However, the impacts created by the employee value on the financial stability and profitability would be determined by the effectiveness of governance in aligning the interest of the employees to those of the shareholders and regulators. In this sense, it is necessary to examine the development of employee value in the context of financial sustainability and profitability, which preconditions experimental hypotheses concerning the case of Nigerian listed deposit money banks.

Theory of employee value creation anticipates various outcomes concerning the impact of employee value creation and the performance of the firm particularly with governance. According to classical management theory including Taylor (1911) the excessive investment in the welfare of the employees may be

2. LITERATURE REVIEW

2.1. Theoretical Framework

The paper is based on the Stakeholder theory, which argues that companies create sustainable value by identifying as well as harmonizing the interests of the key stakeholders, particularly employees (Freeman, 1984). Employees of the banking industry are the key to service provision, risk management, compliance, and customer trust which are the pillars to financial stability and long-term sustainability. According to stakeholder theory, the value of employees created by means of fair pay, training, and facilitating working conditions increases motivation and commitment, which enhances organizational stability and reduces operational and insolvency risks. Moreover, this research integrates the findings of the agency theory to demonstrate how the governance structure determines the success of the employee value creation. According to an agency theory, the board is considered to be the most important mechanisms of governance as it plays a crucial role in balancing the interests of the managers and employees with those of the shareholders. Good governance in banking also makes sure that the investments in the creation of employee values are tracked effectively and aligned with the financial sustainability goals in a consistent and strategic manner, as opposed to turning into the bases of the excessive costs or managerial opportunism.

2.2. Conceptual Framework and Hypotheses development

2.2.1. Employee value creation and firm sustainability

The stakeholder theory proposes that any generation of value among the employees encourages firm stability through increased productivity, reduced operational risks, and organizational commitment (Freeman, 1984; Edmans, 2011). Trained and motivated workers in banks enhance credit evaluation, compliance and risk control, which are crucial factors to financial health (Becker, 1964; Ghaly et al., 2015; Boubaker et al., 2019). Factors indicate that practices that are friendly to the employees are associated with improved corporate performance. The majority of them, though, are concerned with profitability or market indicators of ROA, ROE, ROI or Q (Tobin) (Edmans, 2012; Faleye and Trahan, 2011; Bae et al., 2011). The paper contends that the development of employee value has far-reaching consequence on the sustainability of a firm and particularly in the banking industry, stability and proper management of risks are critical in ensuring long-term performance (Pulic, 2000; Chen et al., 2016).

- Hypothesis 1: Employee value creation has a significant and positive effect on firm sustainability of Nigerian listed deposit money banks.

2.2.2. Moderating role of governance structure on relationship between employee creation and firm sustainability

Quality of governance determines whether or not the value creation among employees will be effective in fostering the sustainability of firms. Good governance will give accountability, transparency and strategic alignment, which will enable human-capital investments to improve financial stability and long-term performance (Kelvin-Iloafu et al., 2023). On the other hand, the weakness or oversizing of the boards may water down the advantages of the employee

detrimental to efficiency and discipline in their operations and reduce their performance. In comparison, modern and stakeholder approaches, such as Maslows hierarchy of needs (1943), the Theory X and Y (McGregor and Cutcher-Gershenfeld 1960), theories of governance (Pfeffer and Veiga, 1999; Zingales, 2000) purport that the value creation offered to employees enhances motivation, productivity, and long-term performance. Another important point made by these theories is that proper governance becomes paramount to get the goals of employees aligned with those of shareholders and others, making sure that human-capital investments are tracked and transformed into sustainable financial outcomes.

To a great extent, empirical research confirms the beneficial influence of employee value creation on firm performance and value. The bulk of empirical studies, however, revolves around profitability-oriented measures, with the exception of ROA, ROE, and ROI, and market-based valuation measures, including the Q by Tobin. It has been discovered that more employee-friendly practices are associated with increased profitability, increased innovation, and increased investment efficiency (Ghaly et al., 2015; Chen et al., 2016; Wei et al., 2020; Cao and Rees, 2020; Nguyen et al., 2022). The results primarily represent the short and medium-term performance and market value impacts and provide minimal information on the financial performance and strength of firms. Besides, the vast majority of these studies are conducted in the developed economies, particularly the United States when the detailed data on employee satisfaction and governance have been gathered (Edmans, 2011; 2012; Bae et al., 2011; Boubaker et al., 2019; Chen et al., 2016; Ghaly et al., 2015).

As a result, there is an open question mark on the role of employee value creation in influencing financial performance in emerging economies and in regulated industries like banking where the governance mechanisms and institutional environment are varied. This research is a contrast to previous literature in a number of important aspects. First, it is not confined to traditional profitability and measures based on markets but rather on financial sustainability and stability which are very important issues to banks. The Z-score is used to measure financial stability as a widely used indicator of the risk of bank insolvency and the profitability is measured using the return on sales (ROS) which is more representative of operational efficiency than its counterparts in terms of assets or equity. Second, the research specifically considers the governance structure as a key institutional force that enables employee value creation on financial performance by highlighting the functions of boards, ownership and oversight in influencing human-capital investments in banks. The focus on Nigerian listed deposit banks of deposit money by drawing on new evidence on an emerging market environment characterized by a high level of regulatory supervision and changing corporate governance structures would be provided by the study. This adds to the literature, as it continues to examine the value creation among employees beyond the traditional performance measures and the importance of its findings to the financial stability and long-term sustainability of the banking industry.

value creation by obstructing decision-making and allocation of resources (Yermack, 1996; Boubaker et al., 2019). Based on the stakeholder and agency theories, the present paper underlines that the organization of governance defines the process of transforming employee value into sustainable performance, especially in the banking industry, where the issues of risk management and efficiency of operations are crucial.

- Hypothesis 2: Governance structure moderates the relationship between employee value creation and firm sustainability of Nigerian listed deposit money banks.

2.2.3. Empirical review

Basher and Farzana (2025) investigated how sustainable human practice impacts the financial performance of 20 Bangladesh privately based banks. The PLS-SEM was utilized to analyse data of 201 frontline employees. The results revealed that sustainable HRM actions make employees happier, promote corporate reputation, and eventually result in the success of the firm. The sustainable HRM also leads to a healthier workplace, increased organizational commitment and brand credibility which makes companies successful financially.

Magau (2024) critically tested mediation role of the boardroom human resource expertise on the correlation between implementation of HR practices (HRPs) and market value. Mediation was tested by a randomized experimental design, bootstrap procedure. Corporate annual reports and self-built disclosure index were used as the sources of data. In general, there were no mediation evidence found, with the exception of the HR knowledge within the board and HR or remuneration committees, which had significant mediation effects on some initiatives.

Nguyen et al. (2022) explored how employee-friendly schemes were related to firm financial performance in the frontier market in Vietnam. They used the “Top 100 Vietnam best places to work lists of Anphae to determine companies with employee practices that were exemplary. A study on more than 3,800 yearly reports of firms showed that there is a robust, beneficial association between welfare of employees and performance of the firm in terms of Tobin q.

Rubio-Andrés et al. (2022) examined the program of the promotion of employee well-being to generate financial and social value, emphasizing the decisive variables of determining well-being and financial performance. It was demonstrated that the high-performance work systems, well-being, reputation, and financial performance had direct effects on the model. Their results show that well-being, reputation, and business wealth of SMEs are positively influenced by good HR practice, and that the employee well-being is positively related to the company values.

The book by LaMacchia (2021) explored the research on improving the engagement of employees so that better financial results could be achieved. Five IT business leaders, who managed to engage employees, were interviewed. Semi-structured interviews, company documents and artifacts were thematically analyzed. Two themes were discovered; developing a culture that

leads to engagement and the use of communication to develop engagement. Employee engagement was observed to draw positive impacts on performance.

Ismanto (2018) explored the opportunity of employee productivity to increase the SME financial performance in Indonesia. The findings indicated that there are positive relations between organizational culture, motivation and product quality and employee productivity. Subsequently, enhanced productivity of the employees leads to improvement in the financial performance of the SMEs in Indonesia.

3. METHODOLOGY

This research paper has utilized secondary data, which was in the form of annual reports and accounts of the sampled listed banks in Nigeria. The ex post facto research design was selected due to the availability of the data concerning the existing issues in the reports of the firms. The data is panel and will be based on 12 of the 14 listed Nigerian Stock Exchange and between 2015 and 2024. The banks were chosen with the criteria that they had fully prepared financial statements and were always traded within the period of study. Annual reports and audited annual accounts of the selected banks were accessed to obtain data between the years of 2015 and 2024. This analysis was done using panel regression that incorporated correction of standard errors, in addition to descriptive and inferential statistics.

3.1. Model Specification

The research examined employee value creation and its moderation by governance structure on financial sustainability measured by the Altman Z-score and return on sales (ROS). These relationships were initially investigated by multiple regression and then panel corrected standard error. The model was made to correspond to the variables and the situation of this study by adapting it to Jorgji et al. (2025). The functional relationship can be expressed in the following manner:

Financial Stability = f (Employee value creation, governance structure, control variables).

$$AZS_{it} = \alpha_0 + \beta_1 EVA_{it} + \beta_2 RPE_{it} + \beta_3 HCE_{it} + \beta_4 BS_{it} + \beta_5 RCI_{it} + \beta_6 EVA * RCI_{it} + \beta_7 HCE * BS_{it} + \beta_8 ASG_{it} + \beta_9 FS_{it} + \mu_t$$

$$ROS_{it} = \alpha_0 + \beta_1 EVA_{it} + \beta_2 RPE_{it} + \beta_3 HCE_{it} + \beta_4 BS_{it} + \beta_5 RCI_{it} + \beta_6 EVA * RCI_{it} + \beta_7 HCE * BS_{it} + \beta_8 ASG_{it} + \beta_9 FS_{it} + \mu_t$$

3.2. Measurement of Variables

The author studied the connection between employee value creation and financial sustainability of the listed deposit-money banks in Nigeria using several variables and governance structure as a moderator. The ratio of employee value added to outstanding shares is called employee value added share (EVA) (Rajgopal and Rappaport, 2021; O’Byrne and Rajgopal, 2022). Revenue per employee (RPE) is the amount of revenue divided by the number of employees. Human capital efficiency (HCE) is arrived at by dividing value added with cost of employees, is (Pulic, 2000; Velnampy, 2011; Dancakova and Glova, 2024). The variables of

governance are the board size (BS) the total number of directors and the Remuneration Committee Independence (RCI) which is the number of non-executive directors on the committee. The financial sustainability (measured by Altman Z-score (AZS) and return on sales (ROS) are the dependent variables, ROS = Operating profit/revenue. Asset growth (ASG) percent change in assets over the time period and firm size (FS) are the natural logarithm of total assets control variables (Ouni et al., 2022; Dancakova and Glova, 2024). All continuous variables were winsorized at the 1st and 99th percentiles to minimize the influence of outliers.

4. DISCUSSION

4.1. Descriptive Statistics

Table 1 presents the statistics of the variables of the study. The mean of the Altman Z-score is low (0.554) and this implies that the Nigerian listed deposit-money banks are in a relatively weak financial sustainability environment. It has a standard deviation of 0.164 which indicates that it varies very little among the banks. Its distribution is almost symmetric, but it is slightly skewed left (skewness = -0.151) towards a small number of weaker banks. The value of kurtosis (4.464) implies that it has a leptokurtic distribution, with fat tails, which reflect extreme financial stability results in certain institutions. These results address the susceptibility of the sector in a broad sense and the applicability of employee value creation and governance frameworks to promoting financial sustainability. The mean of the return on sales is high at 22.499 which is an indication of high average operating profitability and the standard deviation of 19.118 is high which means that there are huge differences in profitability. The positive skewness of 0.486 and the leptokurtic kurtosis of 4.206 makes it known that there are a few other highly profitable banks and extreme profit results. The findings combined with the low mean Altman Z-score indicate that profitability high does not necessarily imply financial sustainability. This disconnect underlines the significance of creating values to employees with regard to enhancing the efficiency of operation and risk management, which can help banks to transform temporary profitability into permanency.

The descriptive statistics show the presence of employee value creation and pattern of governance structure. The mean, standard deviation of EVA is 38.806 and 15.470, skewness is positive (0.357) and kurtosis is 2.495 which indicates a high level of employee-generated value, with a large variation and a relatively stable distribution. RPE is 4.556 (SD = 0.180) with a small negative skewness (= -0.251) and a kurtosis value of 2.537 which indicates even distribution of employee productivity among banks. HCE means 3.270, standard deviation 3.200 with the high positive skewness (3.426) and the extreme skewness (19.814) indicating that most banks have a moderate efficiency and few of them have the extremely high human capital returns. The metrics of governance indicate that the average board size is 13.633 people (SD 3.217), almost symmetric distribution (skewness = -0.062) and kurtosis is 2.533. RCI has the mean 55 (0.55) with the standard deviation equals 0.158, its right-skewed distribution (skewness = 2.439) and large kurtosis (7.115) imply that most banks have the same extent of independent committee membership with a few having significantly higher independence.

In general, the creation of employee value is often uniform in both value and output but disproportionate in efficiency, and the governance structures are not uniform, which underscores the possibility of their role in determining that employee input leads to long-term financial results. Asset growth (ASG) presents skew (16.067, SD = 15.235), skew values (16.067) are negative and kurtosis (10.409) is high, indicating that the majority of banks have a moderate growth with a few having very low or very high growth. The (FS) averages 6.839 (SD = 0.383), its skewness is slightly negative (-0.494) and its kurtosis is almost zero (2.694), which indicates that the size of the firms is relatively homogenous among the banks. Such findings present an intermediate variability in growth and size, which can affect financial sustainability and value creation of employees and governance structures.

4.2. Correlation Analysis

The correlations among the study variables are presented in Table 2. The strength and direction of the relationships between the variables were established through preliminary test, correlation analysis. The correlation coefficient, or Pearson product-moment correlation, is used to give a brief summary of linear relationships. The 10 years correlation values are represented in the asymmetric Table 2. All the values are below 0.80 that means that there is no multicollinearity issue (Judge et al., 1988; Bryman and Cramer, 2004).

4.3. Regression Analysis (Employee Value Creation and Financial Stability)

The relationship between employee value creation and financial stability is displayed in Table 3. The choice of the fixed-effect model was determined using the Breusch-Pagan and Hausman tests. It gave a total F-statistic of 3.207 (P = 0.000) and a Durbin-Watson of 1.622. A moderate fit is found to explain 25% of the variation in financial sustainability (Adjusted R² = 0.25). Human capital efficiency (HCE) is the only employee-value proxy significantly and positively related to Altman Z-score (T = 3.176, P < 0.05). This implies that the financial stability is enhanced by effective utilization of human capital. The relationship between the size of boards and HCE is negative (T = -3.233, P < 0.05), which shows that boards are likely to deter the positive relationship between HCE and the board size. Concerning controls, asset growth decreases Z-score (T = -2.417, P < 0.05) whereas the firm size enhances it (positive, significant), that is, larger banks are more stable. Generally, the findings underscore the effectiveness of the human capital and governance frameworks in fostering financial sustainability among the banks in Nigeria.

4.4. Regression Analysis (Employee Value Creation and Profitability)

Table 4 reports the effect of employee value creation on profitability using regression analysis. The Breusch Pagan and Hausman test was conducted and the final model that was selected was a random-effects model that gave an overall F-statistic of 10.983 (P = 0.000), Adjusted R² = 0.43 and Durbin Watson = 0.886. It means that it fits moderately-to-goodly but may be self-correlated. The results of the employees-value proxies performing high impact on ROS are revenue per employee (RPE, T = 3.399, Pp < 0.05) and HCE (T = 7.417, P < 0.05). The size of the board (BS) also increases the ROS, and the interaction between HCE and BS is found to be negative (T-Stat = -7.635, P < 0.05), which indicates

Table 1: Descriptive statistics

Statistics	AZS	ROS	EVA	RPE	HCE	BS	RCI	ASG	FS
Mean	0.554	22.499	38.806	4.556	3.270	13.633	0.554	16.067	6.839
Median	0.560	17.865	34.495	4.554	2.304	14.000	0.500	16.050	6.805
Maximum	1.050	78.670	83.180	4.950	23.963	21.000	1.000	67.90	7.450
Minimum	0.010	-43.260	2.640	4.114	-1.088	6.000	0.400	-68.23	5.710
Standard deviation	0.164	19.118	15.470	0.180	3.200	3.217	0.158	15.235	0.383
Skewness	-0.151	0.486	0.357	-0.251	3.426	-0.062	2.439	-0.772	-0.494
Kurtosis	4.464	4.206	2.495	2.537	19.814	2.533	7.115	10.409	2.694
JB	11.18	11.993	3.826	2.326	165.2	1.166	203.6	286.4	5.350
Prob.	0.004	0.002	0.148	0.313	0.000	0.558	0.000	0.000	0.069
Obs.	120	120	120	120	120	120	120	120	120

Source: Author’s computation

Table 2: Correlation matrix

Variable	AZS	ROS	EVA	RPE	HCE	BS	RCI	ASG	FS
AZS	1.000								
ROS	0.453	1.000							
EVA	-0.182	-0.271	1.000						
LRPE	0.182	0.288	-0.483	1.000					
HCE2	-0.046	-0.090	-0.080	0.109	1.000				
BS	-0.020	-0.068	-0.043	-0.126	0.101	1.000			
RCI	-0.157	0.104	-0.046	0.192	-0.031	-0.200	1.000		
ASG	-0.208	0.131	0.142	0.110	0.075	0.010	-0.005	1.000	
FS	0.131	0.531	-0.403	0.244	-0.125	0.238	0.052	0.082	1.000

Source: Author’s computation

Table 3: Regression analysis (employee value creation and financial stability)

Variable	Pooled effect		Fixed effect		Random effect	
	Coeff.	T-Stat	Coeff.	T-stat	Coeff	T-Stat
C	-0.994	-1.693	-0.833	-1.284	-0.086	-0.138
EVA	-0.003	-0.816	-0.002	-0.626	-0.005	-1.701
RPE	0.248	2.612**	0.112	0.948	0.159	1.792
HCE	0.088	3.141**	0.086	3.176**	0.041	1.426
BS	0.015	2.074**	0.012	1.782	0.006	0.960
RCI	-0.406	-1.578	-0.138	-0.449	-0.415	-1.963**
EVA*RCI	0.005	0.690	0.005	0.777	0.005	0.967
HCE*BS	-0.006	-3.263**	-0.005	-3.233**	-0.002	-1.598
ASG	-0.002	-2.409**	-0.002	-2.417**	-0.002	-2.376**
FS	0.068	1.596	0.113	2.595**	0.024	0.453
Adjusted R ²	0.15		0.25		0.14	
F-Statistic	3.465	0.000	3.207	0.000	3.196	0.001
Durbin Watson	1.393		1.368		1.622	
Breusch Pagan			24.296	0.003		
Hausman			28.66	0.000		

Source: Author’s computation

that increasing the size of the board might reduce the profitability advantages of HCE. Asset growth (T-Stat = 2.234, P<0.05) and firm size (T = 10.328, P<0.05) are control variables that have a positive effect on ROS, and thus larger banks with growing assets are better positioned to be profitable. The results highlight that performance will be enhanced as employees value creation is created, but it can be moderated by the governance structure, especially the board size.

4.5. Post Estimation Tests

Table 5 reports the results of the serial correlation and heteroskedasticity tests. Both models were run using post-estimation diagnostics. The tests indicate that Model 1: investigating the relationship between employee value creation and financial stability, as indicated by the Altman Z -score with governance structure as a moderator does not have any serial correlation and

heteroskedasticity. This is an attestation of the strength of its estimates. Model 2 - to test the effect of creating value to employees on return on sales in the moderating effect of governance structure presents a serial correlation, but no heteroskedasticity. We thus corrected Model 2 with Panel Corrected Standard Errors (PCSE) in order to have the reliable inference.

4.6. Panel Corrected Standard Error (Employee Creation and Profitability)

Table 6 presents the results of the effect of employee value creation on profitability using PCSE. Due to the serial correlation problem that surfaced in the on the effect of employee value creation moderated with governance on profitability, PCSE adjustment was carried out to correct the serial correlation. Wald Chi² = 145.29 (P = 0.000) and adjusted R² = 0.361, which revealed a strong joint

Table 4: Regression analysis (employee value creation and profitability)

Variable	Pooled effect		Fixed Effect		Random effect	
	Coeff	T-Stat	Coeff	T-Stat	Coeff	T-Stat
C	-303.17	-5.470**	-299.00	-4.552**	-296.663	-7.686**
EVA	-0.283	-0.779	-0.326	-0.833	-0.286	-1.156
RPE	21.858	2.441**	20.285	1.701	20.999	3.399**
HCE	14.286	5.463**	15.216	5.578**	13.545	7.417**
BS	1.838	2.731**	2.112	2.981**	1.679	3.587**
RCI	-11.985	-0.493	-6.415	-0.206	-12.741	-0.774
EVA*RCI	0.338	0.534	0.370	0.544	0.365	0.853
HCE*BS	-0.899	-5.603**	-0.960	-5.711**	-0.852	-7.635**
ASG	0.139	1.549	0.059	0.585	0.136	2.234**
FS	29.762	7.317**	29.494	6.703**	29.735	10.328**
Adjusted R ²	0.43		0.52		0.43	
F-Statistic	11.788	0.000	6.098	0.000	10.983	0.000
Durbin Watson	0.865		0.873		0.886	
Breusch Pagan					7.241	0.612
Hausman					6.286	0.7113

Source: Author's computation

Table 5: Serial correlation and heteroskedasticity

Test	F-statistics	P-value	Remarks
Model one			
Serial correlation	11.299	0.205	Absence of serial correlation
Heteroskedasticity	6.490	0.140	Absence of heteroskedasticity
Model two			
Serial correlation	3.996	0.045	Presence of serial correlation
Heteroskedasticity	1.793	0.523	Absence of heteroskedasticity

Source: Author's computation

Table 6: Panel corrected standard error

Variable	Coeff	Standard error	Z	Z P-value	95% Conf.
C	-521.84	173.46	-3.01	0.003	-861.83
EVA	-0.332	0.349	-0.95	0.341	-1.018
RPE	88.32	38.026	2.32	0.020	13.791
HCE	0.127	0.3657	0.35	0.727	-0.588
BS	22.344	11.05	2.02	0.043	0.681
RCI	-18.455	22.94	-0.80	0.421	-63.42
EVA*RCI	0.522	0.641	0.81	0.416	-0.735
HCE*BS	-5.187	2.468	-2.10	0.036	-10.025
ASG	0.129	0.090	1.42	0.154	-0.486
FS	24.655	3.029	8.14	0.000	18.717
Adjusted R ²	0.36				
Wald Chi	145.29	0.000			
Obs.	120				

Source: Author's computation

dissimilarity and adequate explaining strength. These findings indicate that, revenue per employee (RPE) has a statistically significant impact on the operating profitability ($z = 2.32, P < 0.05$), indicating that increased employee productivity increases the operating profitability. Board size (BS) has also a positive effect on ROS ($z = 2.02, P = 0.05$), which would indicate that a larger board could be more profitable because of superior control of the organization as well as strategic direction. On the other hand, the relationship between the efficiency of human capital and the board size (HCE* BS) is negative and substantial ($z = -2.10, P < 0.05$)

and it resembles that human efficiency of the human capital can be neutralized by a large board size. Furthermore, firm size (FS) is also positively and significantly related to ROS, that is, larger banks are able to benefit due to scale effects which boost their operating margins. Altogether, the PCSE findings substantiate that the employee productivity and governance frameworks are relevant to profitability, but governance may inhibit the output of the human-capital efficiency.

5. DISCUSSION OF RESULTS

5.1. Regression and Panel Corrected Standard Error

- Hypothesis 1 (H_1): Employee value creation has significant effect on firm sustainability (Stability and Profitability.)

The findings regarding Hypothesis 1 indicate that employee value creation is a unique factor that determines the result of the performance of banks. Only human capital efficiency (HCE) has a positive and significant effect, to achieve financial stability, as measured by the Altman Z-score. Other proxies of employee-value creation do not. This implies that those banks that can successfully transform the expenses of employees into value added production are more likely to enhance their solvency and diminish the risk of financial distress. In economic terms, the discovery indicates that the quality and efficacy of human-capital employment, as opposed to the magnitude of the investment on the part of employees, is vital in improving financial resilience in the banking sector. It also espouses the notion that stability in banks is dependent on disciplined use of resources and containment of risk rather than on productivity.

Concerning the profitability part, the outcomes reveal that both revenue per employee (RPE) and HCE have a positive impact on return on sales. Increased productivity of employees and effective utilization of human-capital enhance margins in operations. This is indicative of the service-oriented nature of banking, in which employee competencies, customer service and cost-effectiveness have a direct impact on revenue and cost management. The results are in accordance with human-capital theory (Becker, 1964) and

stakeholder theory (Freeman, 1984) that state that investing in capability of employees improves the performance of the firm. A positive correlation between the creation of employee value and the profitability of firms is also reported in supporting evidence by Ghaly et al. (2015), Boubaker et al. (2019), Kelvin-Iloafu et al. (2023) Abiad et al. (2025), Omenihu and Nwafor (2025). However, the poor relationship between value creation and financial stability of the employees is in line with the agency theory. According to this theory, long-term sustainability needs governance and risk controls, along with internal productivity proceeds (Jensen and Meckling, 1976). Collectively, the findings indicate that the value creation by employees is a very powerful engine of profitability in banks, yet it has a conditional and limited capacity to guarantee financial stability.

- Hypothesis 2 (H_2): The employee value creation conditional on governance structure plays a significant role in firm sustainability (stability and profitability).

The correlation between the size and HCE of the board (BS x HCE) is significant and negative on the financial stability (Altman Z -score) and profitability (return on sales). Economically, this implies that the more effective the human capital is, the better the performance is; however, the bigger the board size, the less likely the banks are to transform employee effectiveness into a long-term performance. To be financially stable, the negative moderating effect infers that accountability that is dilutes and strategic responses are slow and coordinating them is challenging despite employees that are well utilized. To be profitable, the negative interaction, which becomes clear once the serial correlation has been eliminated, demonstrates that HCE operations gain were washed away by governance frictions increasing the cost of decision-making and managerial agility.

This points to an important trade-off in banking: Human-capital efficiency can only be useful in cases where the structure of governance can enable prompt and consistent response. Theoretically, the results are based on agency theory, which states that it is inefficient to have governance mechanisms that make monitoring more costly and inefficient in terms of making effective decisions (Jensen and Meckling 1976; Jensen and Meckling 1976). They also go in line with the board-effectiveness theory which warns that a too big board is a hindrance to performance because of the free-rider issue and weak communication in the board (Yermack, 1996; Hermalin and Weisbach, 1991). Empirical evidence can be found in the literature on banking and governance where negative performance impacts of big boards and negative interaction with internal resources are recorded (Pathan and Faff, 2013; Boubaker et al., 2019; Awad et al., 2024).

The results, on the other hand, are inconsistent with the resource-dependence theory, which holds that larger boards can improve performance by balancing the various expertise available and connections with external networks (Pfeffer and Salancik, 1978), as well as the literature that has found positive governance-human-capital complements (Edmans, 2011; Faleye and Trahan, 2011). On the whole, evidence indicates that in the banking sector, the benefits of employee value creation are not always enhanced by

governance structure; effective boards that are lean are needed to transform human-capital efficiency, to financial stability and future profitability.

6. CONCLUSION AND RECOMMENDATIONS

This paper has discussed the impact of employee value creation on the financial position and profitability of the Nigerian listed deposit-money banks with the moderating effect of governance structure. The results indicate that employee value creation does not add value to the bank performance in an equal manner. Human-capital efficiency increases financial stability, whereas revenue per employee and HCE increase operating profitability, which proves that employee productivity and effective use of human-capital are essential in the banking industry. Nevertheless, the creation of value to the employees is not enough to ensure sustainable financial results. One of the most important contributions that the study provides is the disclosing of conditional role of the governance structure.

Even though board size is indirectly beneficial to performance, it is always negatively associated with human-capital efficiency with respect to financial stability and profitability. This is a sign that bigger boards undermine the ability of the banks to turn effective use of human-capitals to sustainable results as a result of coordination issues and governance efficiencies. The fact that the profitability model has been corrected to account to the serial correlation further supports the strength of this conclusion. Generally, the research shows that employee value creation in banks has performance gains which are correlated to effectiveness in governance and not expansion of the board of directors. The shifting focus on evaluating traditional profitability to financial stability and laying emphasis on governance-human-capital interactions in a developing-economy framework, the study provides great insights to bank managers, regulators and policymakers who should strike a balance between human-capital investment and good governance to generate long-term financial sustainability.

6.1. Recommendations

- Work on increasing the productivity of employees through specific training, performance-based pay and modern technology. Professional force will cause stability and profitability.
- Make sure that board structures are best and competent. Large board sizes are watering down the relationship between employee productivity and long-term financial performance.
- Integrate the human-capital policies in the governance and risk-management structures in such a way that the works of employees are enabled to foster long-term financial viability rather than financial benefits in the short-term.

6.2. Suggestions for Future Research

Future research can look into other features of governance, board independence, gender diversity, and risk committees, to help explain the relationship between the creation of employee value

and performance. Market-based risk indicators might also allow researchers to more accurately determine the effects of human-capital investments on the long-term scale. The generalizability would be enhanced by conducting comparative research among emerging and frontier banking markets, and would indicate the influence of various institutional and regulatory settings on the employee-value-creation performance relationship.

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