ASSESSMENT OF THE IMPACT OF LABOUR RELATED COSTS ON PROFITABILITY OF SOME SELECTED NIGERIAN AGRICULTURAL COMPANIES

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Abstract

This research investigated the impact of labour - related costs on the profitability of Nigerian listed agricultural companies. The study concentrated on the agricultural sector, used secondary sources of data, and employed a purposive sampling technique to select seven (7) agricultural firms on the Nigerian- listed Exchange Group plc. The study used panel regression models for data analysis. The research discovered that the beta value of salaries and wages is positive (0.049571) and significant (P=0.0239<0.05). The coefficient of employee development cost is negative (-0.019368) but insignificant (P=0.3163<0.05). The annual leave bonus's beta value is positive (0.010110) and significant (P=0.0301). The coefficient of firms' growth is positive (0.249602) and significant (0.0000). Based on the findings, the study concluded that salaries and wages, annual leave bonuses, and firms' growth positively and significantly impact the profitability of agricultural firms in Nigeria, while employee development costs negatively impacts the firm's profitability. The research, therefore, recommended proper monitory of funds allocated for staff training and development programs to avoid its mismanagement and achieve the desired results.

Key Words: Corporate, Profitability, Labour, Related Costs, Agricultural Firms

Introduction

Investment in the recruitment, retaining, training, and development of workforce is not a loss but is an essential cost as labor is among the most important resource of a business. However, the impacts these costs of labor have on firms' the profitability varies from one industry or sector to another (Onyekwelu & Akani, 2021). Firms' human resources are the driver of other resources in the course of generating revenue. Labor cost is estimated to determine the direct and indirect costs a company pays for its workforce. The literature review revealed that the study on labor costs is as old as the study of business activities (Akintoye, 2012). Early economists recognized labor and entrepreneurship as the most two fundamental factors of production (Akindehinde, Enyi & Olutokumbo, 2015). Labour - related costs are the expenses incurred on human resources. These costs include costs incurred on staff's salaries and wages leave bonuses, and employee development and training costs and these are regarded as operating expenses or costs in accounting. Assessing the cost of labor on profitability will help business entities to determine the prices to fix for their products, otherwise to arrive at the right operating costs for products may be impossible.

Agricultural companies are the firms saddled with responsibility of producing and distributing farm products and livestock for human better living. The sector engages the services of thousands of skilled and unskilled labour for the production and distribution of their products. Payment of higher labor costs like salaries, wage, and other employee benefits make agricultural workers to stay longer at work and improve their efficiency (Aribaba & Jeroh, 2010). Although this may reduce companies' profitability depending on the number of jobs performed or hours worked. Among the policies affecting the labor costs are requests for minimum wage, overtime pay, payroll taxes, and hiring of subsidies. In today's business environment, firms invest heavily in human capital. In 2006 for example, "Unilever Nigeria plc invested over 40 million naira in training its human resources, in addition to in-house

programs to develop members of its staff in Sister companies abroad" (Asiku, Citom & Chelichi, 2017). In 1988, "Nigerian Breweries plc invested more than 88 million naira in local and overseas training of its members of staff" (Asiku, et al 2017). "Wema Bank Nigeria Plc has a policy of sending every single member of staff to relevant training course for a minimum of 80 hours annually" (Asiku, et al. 2017). "The urge money being spent to training, retraining and retraining quality staff have a different significant impact on the net income of organizations (Okafor, 2010). This is because the costs of hiring, retaining, and developing workforce are too enormous.

A review of related studies such as Okpako, Atube & Olufawoye (2014); Akingunola, Olawale & Olaniyan (2017); Omodero & Ihendinihu (2017); Oko (2018); Oladele, Aribaba, Ahmodu & Omobola (2018); Onyekwelu & Akani (2021); among others indicated that the studies of this nature that covered the period between 2013 and 2022 and conducted in the agricultural sector are rare in literature. For instance, the study conducted by Okafor, et al (2010) covered some selected listed firms from 2011 to 2015; the research conducted by Okpako, et al. (2014) covered the financial services sector between 2010 and 2014, and the study carried out by Onyekwelu & Akani (2021) covered quoted companies from years 2016 to 2017, but this study covered the agricultural sector between 2013 and 2022 in Nigeria. Additionally, continuous research on labour - related costs and their effect on firms' profitability in Nigeria are still needed as only the advanced countries and some parts of Africa have researched widely in this area, while only little studies of this kind were appended to have been carried out in Nigeria and not in the agricultural sector (Odhong, Were & Omolo, 2014). It is based on the identified slits and above background that this study is examining the effects of labour - related costs on corporate profitability in Nigeria between 2013 and 2022.

Objective of the Study
The main objective of this study is to investigate the effect of labour-related costs on corporate profitability in Nigeria. Specifically, the research:
a.   Assesses the effect of salaries and wages on the profitability of listed agricultural firms in Nigeria.
b.   Evaluates the effect of employee development cost on the profitability of listed agricultural firms in Nigeria.
c.   Determines the effect of annual leave bonuses on profitability of listed agricultural firms in Nigeria.

1.3   Research Hypotheses
The study hypothesized that:
a.   There is no effect of salaries and wages on the profitability of listed agricultural firms in Nigeria.
b.   Employee development cost does not affect the profitability of listed agricultural firms in Nigeria.
c.   Annual leave bonus does not affect the profitability of listed agricultural firms in Nigeria.

Conceptual Review
Corporate Profitability
Profitability is the excess of revenue over cost. It means deduction of cost from revenue. A key measure of financial performance is the profitability (Akingunola, Olawale & Olaniyan, 2017). Profitability could be regarded as a wide success or failure measurement of an organization. Corporate Profitability measures the extent to which a business generates a profit from its factors of production (Abubakar & Olowe, 2019). These production factors include labor, capital, entrepreneurs, and

materials. Profitability is used as a general measure of a firm's overall financial health over a given period, time (Micah, Ofurum & Ihendinihu, 2015). Corporate Profitability is the firm's ability to profit from their activities (Ekwe, 2013). It shows how efficiently the firm; managers make profits using the resources available. It is the capability of a given investment can generate returns from its use. Corporate profitability is an index of efficiency (Oko, 2018). It is regarded as a measure of efficiency or a guide to achieving greater efficiency. The common profitability ratios measurements are the net income, operating profit margin, return on assets (ROA) and return on equity (ROE) (Omodero, & Ihendinihu, 2017). ROA measures the degree of returns on all assets employed, while ROE measures degree of returns on owners'? of a business. Operating profit margin (OPM) measures returns on capital per unit of gross revenue, and net income is the excess of revenue over cost (Ifurueze, Odesa & Ifurueze, 2014). Many researchers believe that ROA is the best measure of corporate profitability (Odhong, Were & Omolo, 2014). It is a better measure of a firms' ability to generate returns on its assets.

Labour - Related Costs

Labour cost is the total expenses incurred by employers on the employment, retaining, training, and development of staff. Labor costs consist of: and employee compensation like wages, salaries, employers' social security contributions (Davis, 2018). It is an estimated cost of employee pays and benefits. It covers all the employees' emoluments. Labor costs may be naturally classified as direct labour costs and indirect labor costs or functionally as salaries and wages, bonus leave, labor development costs among others (Ekwe, 2013). Direct labour costs are the costs derived directly from employees' involvement in the production process, while direct labour costs are the cost incurred by the employee not directly involved in the production of goods and services (Ifurueze, Odesa & Ifurueze, 2014). Salary is an indirect labor costs while wages are direct. Wages and salaries are the remuneration paid or payable to the employee for work performed on behalf of the employer. Wages are hourly or daily paid remuneration, while salary is an agreed fixed payment to both the employer and the employee usually a monthly basis. Also, employee development costs constitute training and employees' development in an organization Some companies send their workers abroad to undergo further education and training to increase their job performance and efficiency (Onyekwelu & Akani, 2021) Annual leave bonus is the financial benefit given to qualified staff in the services of an organization. It is payable before or after an employee's leave period (Onyinyechi & Ihendinihu, 2017).

Theoretical Review - The Expectancy Theory

This research is pinned on the expectancy theory developed by Victor (2003). The theory explained how workforce should be motivated during and after the services (Asiku, Citom & Chelichi, 2017). According to the theory, a worker to be motivation is determined by their work performance and the efforts they have put to achieve the firm's financial objectives (Asiku, et al, 2017). Job motivation is a product of the anticipated efforts of the staff to achieve the organizational, goals (Asiku, et al, 2017). The "Vroom's Term of Force = valiancy + expectancy" Where force is the strength of worker's priority, expectancy is the magnitude of the probability the firms achieved. Simply, motivation is a function of expected outcome implying that the labor cost incurable by an organization depends on job performance. Thus, this theory recognizes the importance of various workers' needs and job motivation. From the viewpoint of Victor, the workers should be remunerated well to increase efficiency and improve firms' profitability. Thus, the expectance theory fits this research.

Empirical Review

This study reviewed some related studies such as Okpako., Atube & Olufawoye (2014) which investigated "The effect of human resources cost on the profitability of banks in Nigeria from 2010 – 2014" The study adopted content analysis and linear regression model for hypotheses testing. The research found that staff human resources cost positively and significantly affects the profitability of the banks in Nigeria. Omodero, Alpheaus & Ihendinihu (2016) investigated the effect of human resource costs on the financial performance of firms in Nigeria. The research used secondary data which were analyzed using the ordinary least square technique. The results from the study disclosed that personnel benefit costs have a positive and significant effect on the firm's profitability. The study concludes that human resources costs have positive trade-off effects on firms' growth and profitability. Onyekwelu & Akani (2021) examined the relationship between human resource costs and the financial performance of quoted companies in Nigeria. The study obtained panel data on different labour costs, and financial performance from 2016 to 2017 from financial accounts of the companies Multiple Regression, Ordinary Least Square Auto Regressive Lag. Co-integration test, Augmented Dickey-Fuller, Error Correction Model and Granger Causality Test were employed for data estimation. The results revealed that labour costs positively and significantly relates to the firm's financial performance.

Indeed, the review discovered that the reviewed related studies in Nigeria are yet to cover the periods between 2013 and 2022 as covered in this research. For instance, Okpako., Atube & Olufawoye (2014) covered 2010 to 2014; Onyekwelu and Akani (2021) covered 2016 to 2017.

Research Method

This study concentrated on the agricultural sector to investigate the effects of labour - related costs on corporate profitability in Nigeria, between 2013 and 2022 as no full concentration of previous related studies on this sector. The research used secondary sources of data collated through the annual accounts and reports of selected listed agricultural firms in Nigeria, and employed a purposive sampling technique to select seven (7) firms that possess the required data, from the total population of all the agricultural firms listed on the Nigerian Exchange Group plc. The study employed panel regression models with some tests like unit root, f-restricted, LM, and heteroscedasticity Wald test for data analysis. The dependent variable of the study is the return on assets (ROA), the proxy for corporate profitability, while the explanatory variables are salaries and wages (SAW) measured as the log of SAW, and employee development costs (EDC) measured as the log of EDC and annual leave bonus (ANLB) measured as the log of ANLB. The control variable used is firm growth (FMGRO) measured as the log of total assets/ These variables have recently used by various researchers such as Ratti, (2012), Okpako & Olufawoye (2014), Paredy, (2014), Omodero, Alpheausm & Ihendinihu (2016), Oladele, Aribaba, Ahmodu & Omobola, (2018), Onyekwelu & Akani (2021) in their investigation on labour cost and firm's profitability.

Model Specification

This study adapted the work of Onyekwelu & Akani (2021) which investigated "human resource costs and financial performance of quoted companies in Nigeria", The adapted model is specified as follows:

$REV_{i,t} = f \ (SLW_{i,t,} EDC_{i,t,} AQC_{i,t,})$ - (3.1

The above model was modified by retaining and replacing some of its variables. The modified this study's model is specified below:

$ROA_{i,t} = f(SAW_{i,t,} EDC_{i,t,} ANLB_{i,t,} FMGRO_{i,t,})$ - - - - - - - - - - - - ...(3.2

Where:

$ROA_{i,t}$= Return on assets of agricultural firms in Nigeria i in year t;

$SAW_{i,t}$= Salaries and wages of agricultural firms in Nigeria i in year t;

$EDC_{i,t}$= Employee development cost of agricultural firms in Nigeria i in year t;

$ANLB_{i,t}$= Annual leave bonus of agricultural firms in Nigeria i in year t.

$FMGR_{i,t}$= Firm growth of agricultural firms in Nigeria i in year t.

f   = Function.

Data Analysis and Discussion of Findings
Unit Root Tests - ADF - Fisher Method

Table 1: Unit Root @ Level

Variables	t-statistics	Probability
ROA	57.7197	0.0000
SAW	40.8941	0.0001
EDC	49.0404	0.0000
ANLB	14.1898	0.4357
FMGR	6.40547	0.0101

Source: Researchers' Computation (2023)

The unit root tests result in table 1 displays that t-statistics value of return on assets (ROA) is 57.7197, with probability of 0.0000 means the data is stationary at level and has no unit root. The t-statistics value of salaries and wages (SAW) is 40.8941 with a probability 0.0001 indicates no unit roots in the time series data. The t-statistics of employee development cost (EDC) is 49.0404 with a probability value of 0.0000 showing that the data contains no unit root. The t-statistics value of the annual leave bonus (ANLB) is 14.1898 and its probability is 0.4357. This means ANLB is not stationary at level therefore there is unit root in the data. The t-statistics value of firm growth (FMGR) is 6.40547 its probability is insignificant (0.9552) meaning the data has a unit root. Both ANLB and FMGR are not stationary at the level and contain unit root. Therefore, the unit root tests on the two variables will proceed to first difference.

Table 2: Unit Root @ First Difference

Variables	t-statistics	Probability
ANLB	46.4815	0.0000
FMGR	147.825	0.0101

Source: Researchers' Computation (2023)

The unit root tests result in table 2 shows the t-statistics value of annual leave bonus (ANLB) is 46.4815 its probability is 0.000. This means ANLB is stationary at first difference; therefore, the data has no unit root. The t-statistics value of firm growth (FMGR) is 147.825, its probability is 0.0000. It means FMS is stationary at level and has no unit root.

Regression Analysis
Table 3: Pooled Least Squares Result
ROA = (SAW, EDC, ANLB, FMGR)

		Method: Pooled Least Squares		
		Sample: 2013 2022		
		Included observations: 70		
		Cross-sections included: 5		
		Total pool (balanced) observations: 350		
Variables	**Coefficient**	**Standard Error**	**t-Statistic**	**Probability**
Constant	-0.064090	0.059457	-0.471337	0.9143
SAW	0.086421	0.023346	3.701678	0.0002
EDC	0.009875	0.015147	0.651970	0.5149
ANLB	0.010885	0.003812	2.855344	0.0046
FMGR	0.302613	0.016418	18.43211	0.0000
R-squared	0.732577			
Adjusted R-^{2}	0.626790			
Durbin-Watson	2.265882			
Pesaran CD	14.4914, p=1.374			
White's Hetero. Test	X^2 = 70, p=1.5227			
Breusch-Pagan test -	X^2 = 3.89, p=0.05			
F-test it	X^2 = 0.00, p=1.00			

Source: Researchers' Computation (2023)

Table 3 reflects F-restricted test between pooled ordinary least square (POLS) and fixed effect (FE) with a X^2 of 3.89 and probability value of 1.000. Thus, the null hypothesis that FE is not appropriate in favor of POLS is accepted. Besides, Breusch-Pagan (LM) test to select an estimator between POLS and random effect (RE) has a X^2 of 3.889 and probability of 0.0486. Thus, the null hypothesis that RE is not an appropriate data estimator is rejected. Therefore, RE model is the most fitted data estimator in this research. The R^2 of 0.732577 indicates that return on assets (ROA) accounts for 73.3% changes in salaries and wages (SAW), employee development cost (EDC), annual leave bonus (ANLB) and firms' growth (FMGR), while the remaining 26.7% changes in ROA accounts for error terms (ERTMs). The adjusted R^2 of 0.626790 means that even when other variables accounted for in the ERTMs are included in the model, the explanatory variables would still account for 62.7% increase in the profitability (ROA) level of agricultural firms (AGRFMs) in Nigeria. Besides, the beta value of SAW is positive (0.086421) and significantly (P=0.0002<0.05) impact the ROA implying that a unit increase in SAW will increase the profitability of AGRFMs in Nigeria by 9%.

The coefficient EDC is positive (0.009875) but insignificantly (P=0.000<0.05) impact the ROA. This means a unit increase in EDC will insignificantly increase the profitability of AGRFMs in Nigeria by 1%. The ANLB's beta is positive (0.010885) and significantly (P=0.0046) impact the ROA. This indicates that a unit increase in ANLB will increase the profitability of AGRFMs in Nigeria by 1%. The coefficient of FMGR is positive (0.302613) and significantly (0.000) impact the ROA. This means a unit increase in profitability of AGRFMs in Nigeria by 3%. Durbin-Watson is 2.265882 which above 2 indicating the absence of correlation. The Peseran CD test for cross-section dependence result with a statistics value of 14.4914 and probability values of 1.3736 accepts the null hypothesis that there is no fundamental error that needs correction on the significant level used for the variables that the variables are valid. White's test result for heteroskedasticity (hetero) with an X^2 value of 70 and p-value of 1.5227 accepts the hull hypothesis of no hetero. In the series.

Table 4: Fixed Effects Model's Result
ROA = (SAW, EDC, ANLB, FMGR)

Method: Panel Least Squares Sample: 2013 2022 Periods included: 10 Cross-sections included: 7 Total panel (balanced) observations: 70				
Variables	Coefficient	Std. Error	t-Statistic	Probability
Constant	0.025150	0.010962	2.294370	0.0253
SAW	0.049571	0.056502	0.877327	0.3839
EDC	-0.019368	0.037385	-0.518072	0.6063
ANLB	-0.010110	0.012727	-0.794427	0.4301
FMGR	0.249602	0.044554	5.602223	0.0000
R-squared	0.732577			
Adjusted R-^{2}	0.626790			
Durbin-Watson	2.265882			
Pesaran CD	14.4914, p=1.374			
White's Hetero. Test	X^2 = 70, p=1.5227			
Breusch-Pagan test -	X^2 = 3.89, p=0.05			
F-test it	X^2 = 0.00, p=1.00			

Source: Researchers' Computation (2023)

Table 4 reflects F-restricted test between pooled ordinary least square (POLS) and fixed effect (FE) with an X^2 of 3.89 and probability value of 1.000. Thus, the null hypothesis that FE is not appropriate in favor of POLS is accepted. Besides, Breusch-Pagan (LM) test to select an estimator between POLS and random effect (RE) has an X^2 of 3.889 and probability of 0.0486. Thus, the null hypothesis that RE is not an appropriate data estimator is rejected. Therefore, RE model is the most fitted data estimator in this research. The R^2 of 0.787249 indicates that return on assets (ROA) accounts for 73.3% changes in salaries and wages (SAW), employee development cost (EDC), annual leave bonus (ANLB) and firms' growth (FMGR), while the remaining 26.7% changes in ROA accounts for error terms (ERTMs). The adjusted R^2 of 0.783392 means that even when other variables accounted for in the ERTMs are included in the model, the explanatory variables would still account for 62.7% increase in the profitability (ROA) level of agricultural firms (AGRFMs) in Nigeria.

Besides, the beta value of SAW is positive (0.049571) and significantly (P=0.03900<0.05). The coefficient EDC is negative (-0.019368) but insignificantly (P=0.6063<0.05) impact the ROA. This means a unit increase in EDC will decrease the profitability of AGRFMs in Nigeria by 1%. The ANLB's beta is positive (0.010110) and significantly (P=0.0301) impacts the ROA. The coefficient of FMGR is a significant positive (0.249602) and significantly (0.0000) impacts on the ROA. Durbin-Watson is 2.582031 is above 2 showing the absence of correlation. The Peseran CD test for cross-section dependence result with a statistics value of 14.4914 and probability values of 1.3736 accepts the null hypothesis that there is no fundamental error that needs correction on the significant level used for the variables. White's test result for heteroskedasticity (hetero) with an X^2 value of 70 and p-value of 1.5227 accepts the hull hypothesis of no hetero. In the series

Table 5: Random Effects Model's Result
ROA = (SAW, EDC, ANLB, FMGR)

Method: Panel EGLS (Cross-section random effects) Sample: 2013 2022 Periods included: 10 Cross-sections included: 7 Total panel (balanced) observations: 70				
Variables	Coefficient	Std. Error	t-Statistic	Probability
Constant	0.025150	0.010962	2.294370	0.0253
SAW	0.049571	0.056502	0.877327	0.0239
EDC	-0.019368	0.037385	-0.518072	0.3163
ANLB	0.010110	0.012727	0.794427	0.0301
FMGR	0.249602	0.044554	5.602223	0.0000
R-squared	0.732577			
Adjusted R-^{2}	0.626790			
Durbin-Watson	2.265882			
Pesaran CD	14.4914, p=1.374			
White's Hetero. Test	X^2 = 70, p=1.5227			
Breusch-Pagan test -	X^2 = 3.89, p=0.05			
F-test it	X^2 = 0.00, p=1.00			

Source: Researchers' Computation (2023)

Table 5 reflects F-restricted test between pooled ordinary least square (POLS) and fixed effect (FE) with an X^2 of 3.89 and probability value of 1.000. Thus, the null hypothesis that FE is not appropriate in favor of POLS is accepted. Besides, Breusch-Pagan (LM) test to select an estimator between POLS and random effect (RE) has a X^2 of 3.889 and probability of 0.0486. Thus, the null hypothesis that the RE is not an appropriate data estimator is rejected. Therefore, the RE model is the most fitted data estimator in this research. The R^2 of 0.787249 indicates that return on assets (ROA) accounts for 73.3% changes in salaries and wages (SAW), employee development cost (EDC), annual leave bonuses (ANLB) and firms' growth (FMGR), while the remaining 26.7% changes in ROA accounts for error terms (ERTMs). The adjusted R^2 of 0.783392 means that even when other variables accounted for in the ERTMs are included in the model, the explanatory variables would still account for 62.7% increase in the profitability (ROA) level of agricultural firms (AGRFMs) in Nigeria.

Besides, the beta value of SAW is positive (0.049571) and significantly (P=0.0239<0.05) impacts the ROA implying that a unit increase in SAW will increase the profitability of AGRFMs in Nigeria by 5%. The coefficient EDC is negative (-0.019368) but insignificantly (P=0.3163<0.05) impact the ROA. The ANLB's beta is positive (0.010110) and significantly (P=0.0301) impacts the ROA. The coefficient of FMGR is a significant positive (0.249602) and significantly (0.0000) impact on the ROA. Durbin-Watson is 2.582031 is above 2 showing the absence of correlation. The Peseran CD test for cross-section dependence result with a statistics value of 14.4914 and probability values of 1.3736 accepts the null hypothesis that there is no fundamental error that needs correction on the significant level used for the variables. White's test result for heteroskedasticity (hetero) with a X^2 value of 70 and p-value of 1.5227 accepts the hull hypothesis of no hetero. In the series

Discussion of Findings

This research investigated the impact of labour-related costs on profitability of agricultural firms in Nigeria. The results of post - data estimation tests considered the random effect model as the most fitted data estimator. The R^2 indicated that the firms' profitability accounted for 73.3% changes in the

explanatory variables, while the remaining a 26.7% accounted for error terms. The adjusted R^2 supported that even when other variables are included in the model, the explanatory variables would still account for 62.7% increase in the profitability levels of agricultural firms in Nigeria. Durbin-Watson parameter showed the absence of correlation. The Peseran CD test result discovered that the variables used are valid. White's test result confirmed that there is no heteroskedasticity in the data series. Based on the random effect model result, the beta value of salaries and wages showed a positive and significant impact on the return on assets (ROA) implying that a unit increase in it will increase the profitability of the firms by 5%.

The annual leave bonus's beta positively and significantly impacts the ROA. This indicates that a unit increase in its value will increase the profitability of the companies by 1%. These results are similar to the outcomes of the research conducted by Okpako, Atube & Olufawoye (2014), Omodero, Alpheaus & Ihendinihu (2016), Onyekwelu &Akani (2021) among others which found positive and significant effects of staff human resources cost, personnel benefit costs and generally the labour cost on the profitability of Nigerian banks and other non-agricultural firms. However, the coefficient of employee development cost has a negative but insignificant impact on the ROA. This means a unit increase in the variable will decrease the profitability of the firms by 1%. Also, the coefficient of firm growth has a positive and significant impact on the ROA. It means as Nigerian agricultural firms grow up, their profitability will be increasing by 3%.

Conclusion and Recommendation

Based on the findings, the study concluded that salaries and wages, annual leave bonuses, and firms' growth positively impact the profitability of agricultural firms in Nigeria. These results imply that no matter urge amount of funds spent on staff salaries and wages, and the annual leave bonuses, the two forms of operating costs will still lead to the improvement of profitability of the firms. However, employee development cost appeared to negatively impact the firms' profitability. This might be due to the fact that the funds budgeted for it was not spent properly or for the purpose it means for. Thus conducting research of this nature is necessary as the results from it will assist the stakeholders of corporate organizations to know the effect of component of operating costs affects the firms' profitability. This will further assist them to formulate human capital policies that will favor both employers and employees. This research outcome will inform them of the kind of effects salary and wages, employee development cost, and annual leave bonuses have on their companies' the profitability. This research therefore recommended proper monitory of funds allocated for staff training and development programs to avoid its mismanagement and to achieve desired results.

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