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EFFECT OF HUMAN RESOURCE INVESTMENT ON THE FINANCIAL PERFORMANCE OF PUBLICLY LISTED BANKS IN BANGLADESH

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ABSTRACT

Human Resource (HR) Accounting is a well-known concept, as indicated in several past studies, which demonstrates the study of investments made on different HR components and attempts to make sense of those expenses in the age of evidence-based management. In this study, we have tried to identify and establish a relationship between Human Resource investment and the company's financial performance. The study focuses on the impact of Human Resource investment on the financial performance of banks in Bangladesh. This research is carried out using secondary data from the financial statements of listed banks under the Dhaka Stock Exchange (DSE). Financial information of all thirty publicly listed banks under the Dhaka Stock Exchange (DSE) are collected for a period of five years from 2013 to 2017. For this study, we use HR expense as a measure of the human resource investment and analyze the relationship between HR expense and bank's financial performance. It has been carried out by taking into account a variety of industry factors and bank-specific variables. Regression analysis is used to test the hypothesis developed for the study. Results indicate a positive relationship between Human resource investment and the bank's financial performance.

Keywords: Human Resource Investment, Human Capital, Financial Performance, Human Resource Accounting, Publicly Listed Banks, Bangladesh, Human Resource Management, ROE, ROA, Profit Margin.

1. INTRODUCTION

The early 1980s instigated the idea of employees being significant sources of revenues and profits rather than the practice of viewing them as costs (Liu, Combs, Ketchen & Ireland, 2007). Many theorists and practitioners also believe that individual employee performance has implications for the firm-level outcomes,

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which collectively have the potential to become a source of competitive advantage that is unique (Huselid, 1995). Therefore, there has been a shift in the trend toward a Human Capital intensive economy as a growing number of organizations are adopting the belief that organizational success lies in intellectual capabilities rather than its physical assets (Flamholtz, 2012). The idea that signifies the Human Resources of an organization as assets also calls for adopting the practice of Human Resource Accounting (HRA) by reputed organization.

Human Resource Accounting (HRA) has been regarded as a significant management tool (Flamholtz, Bullen & Hua, 2002) that helps to enhance management decision-making by quantifying the cost of recruiting, hiring, compensating, and training employees. The role of HRA is not only to provide numerical information to aid managerial decisions, but also to monitor and quantify the costs and value of people in human resources perspective (Flamholtz, Bullen&Hua, 2002). Thus, the growing importance of HRA has been reflected in many organizations' management report around the world, including some developing countries like Bangladesh.

In the current literature there have been several studies examining the significance of a firm's Human Resources Management (HRM) practices over its corporate performance. Huselid (1995) evaluates the relationship between High Performance Work Practice and corporate performance. The paper shows that High Performance Work Practice has significant impact on employee performance and firm's financial outcomes. Berk & Kaše (2010) finds that organizations that spend significant amount of money on training and developments usually perform better than their competitors, who spend lesser or none at all. As per Becker &Gerhart (1996) Human Resource decision influence organizational performance by either improved organizational efficiency or increased corporate revenue. In another paper, Fitz-enz (1997) finds that a firm loses approximately $1 million with every ten managerial and professional employees leaving the organization.

However, very limited empirical evidence exists in the context of Bangladesh. Most of the papers on Human Resource Management in Bangladesh study the importance of human resource practice and its theoretical aspects. Siddiquee (2003) assesses the existing limitations and future challenges of human resource management in Bangladesh civil service. The paper finds that there is a lack of human resource planning and structure in Bangladesh civil service, which in turn affect the quality and performance of civil service. Absar (2010) , in a study on the impact of Human resource practice on job satisfaction in manufacturing companies in Bangladesh, finds that human resource planning, development and training have positive effect on job satisfaction. In another paper Majumder (2012) finds that employees

in the private banking sector in Bangladesh are not satisfied with compensation package, career growth, training and development, management style, job design responsibilities. However, no study has assessed the effect of human resource investment on financial performance of firms in Bangladesh.

This study aims to fill up the above mentioned gap and add some more evidence that HR investment leads to increased financial performance, in the fields of human resource accounting especially in context of Bangladesh. The objective of this paper is to examine the impact of Human Resource investment on the financial performance of banks in Bangladesh. In our study we use multivariate regression analysis on panel data of 30 listed banks in Bangladesh over a period 5 years (2013 to 2017). As a proxy of human resource investment we use HR expense which includes both compensation and training. As independent variables we use Return on Equity (ROE), Return on Asset (ROA), and Profit Margin as indicators for financial performance. Results show that human resource investment has a significant positive impact on banks' ROA. Profit Margin and ROE also show positive relationship with HR investment. However, a strong significant relationship has not been found.

Thus this paper contributes as a new addition of how to determine the impact of human resource investment on firm's financial performance from Bangladesh context. Bangladesh is a developing country with growing economy. Because of its high population, the country has an abundance of human capital compared to other resources. An efficient and effective HRM practices could be a driving force for Bangladesh's economic development (Absar, 2014). Findings of this study will provide an insight about the level of human capital investment by banks in Bangladesh and its impacts on the financial performance. This paper will also be an addition to HR accounting from emerging economy perspective.

The paper is structured as follows: the next section reviews the literature on HR Investment and its impact on financial performance. Then we move to research methodology describing dependent and independent variables along with the research design. The next section offers detail discussion on data analysis and findings. Finally we have the discussion section, analyzing the results in thelight of past literature, followed by the conclusion and future research section.

2. LITERATURE REVIEW

As Beer, Spector, Lawrence, Mills, & Walton (1984) explains it, the idea of considering people as a significant driver in terms of achieving competitive edge over others in the industry and thus considering Human Resource functions as a critical decision

making tool is a relatively new idea in the history of management studies. However, starting from the early 70s and until today, we see detailed research by prominent authors establish a correlation between HR investment and organizational performance (Huselid, 1995). Chowhan (2016) emphasizes the importance of understanding the relationship between HR practice, strategy, and organizational performance is an essential factor worth researching as it could be a black box worth venturing onto.

Human Resource Investment (HRI)

Previous research suggests that when employers consider employees as a source of competitive advantage and in turn invest in developing their knowledge, skills, and abilities, then the skilled, motivated more engaged workforce returns the favor by being as contributing towards their company as they can and help increase firm performance (Huselid, 1995; Takeuchi, Lepak, Wang, & Takeuchi, 2007). From an organizational perspective, in return for the investment in their employees, firms expect employees to have high levels of commitment toward the employer. In many cases, these investments take the form of training, higher compensation, and better working environments (Lado & Wilson, 1994; Lee & Miller, 1999; Combs, Liu, Hall & Ketchen, 2006)**.**

HR Accounting (HRA)

HR Accounting (HRA) is not a new idea; however, as it indicates the subject hasn't always been an idea that is well researched and accepted. According to American Accounting Association (1973), HRA is the process of accumulating and analyzing HR investment data and then providing it to parties who will make sense of the data; it is equally useful in both managerial and financial accounting terms. The idea is to measure the human value of employees added by investing in different Human Resource components (Toulson & Dewe, 2004).

HRA, in today's world, has three different applications. As Flamholtz (1999) explains in his research the first is to provide organizations with the cost and value of HR, the second is to provide a tool to help managers make evidence-based decisions relating to HR components, and the third is to convince management to consider different financial and non-financial HR metrics as an integral component of organizational decision making.

Relationship between HRI and HRA

Human Resources Investment can be related to the Human Capital Theory - a concept introduced in 1960 by Theodore Schultz. Studies in support of this idea

indicate that Human Resource Management practices represent an investment in human capital (Flamholtz & Lacey, 1981)

Though initially developed to study the economic value of education by Schultz (1960), the idea of Human Capital has influenced the numerous previous studies including Huselid's (1995) to emphasize on the significance of a firm's Human Resources Management (HRM) practices over its financial performance. Furthermore, the concept of Human Capital identifies that people possess the skill, experience, and knowledge that have economic value to the firm (Snell & Dean, 1992).

Moreover, to make sense of why employers make investments in different HR functions such as compensation, benefit, and training while they could keep paying what they already pay, we looked into efficiency wage theory. As they emphasize that, paying a higher wage is a factor that reduced turnover and gradually increases employee efficiency. Chua, Lim, Ter & Chew (2014) and Katz (1986) also mention that a comprehensive approach towards HR investment for their similar study would include salary, provident fund, fringe benefits such as medical, transportation, etc. which is precisely what we intend to do for this study. Also, if we consider employee salary and other benefits as the hygiene factors in light of Herzberg's widely applied Two-Factor Theory (Herzberg, 1971), the absence of these can form dissatisfaction. The same theory suggests, other HRM practices, e.g. employee training, providing better pay, and making employees feel secure can be several ways to keep the employees satisfied, which may otherwise result into high turnover among employees and lamentable financial burden (Gursoy & Swanger, 2007; Koys, 2003; Schneider, 1991). According to Cavanaugh & Noe (1999) and Kluytmans & Ott (1999), this happens because a nonverbal psychological contract between the employee and employer takes place when employers spend on training and developing employees. As employees receive the resources they need, they are expected to remain internally employable, and thus a skilled employee will always result in being more productive (Colakoglu, Allen, Miah & Bird, 2016).

Following the same trail, researchers have also argued that firms that spend significantly on training and developments usually outperform their competitors who have less or no investment in training and development at all (Berk & Kaše, 2010). Fitz-enz (1997) found that a company loses approximately an average of $1 million with every ten managerial and professional employees leaving the organization. The finding undoubtedly provides evidence in favor of our work that human resources practices and measures have a compelling effect on a firm's financial indicators. There has been enormous evidence from past literature indicating that the investments in employee training and development are substantial in terms of the organization's financial measures (Bernhardt, Donthu & Kennett, 2000). As

reported by Bartel (1994), organizations that maintained a formal training program from 1981 to 1986 showed at least a twenty percent increase in productivity.

In support of the opinions mentioned above, Becker & Gerhart (1996) justified Human Resource decision is thought to influence organizational performance by either improved organizational efficiency or increased corporate revenue. Moreover, as per other studies, HRM practices enhances a range of organizational performance indicator including Profit Margin (Kalleberg & Moody, 1994) and Return on Assets and Return on Equity (Delery & Doty, 1996).

However, we have also encountered a few authors whose research conclusion deviated slightly from readily agreeing to a significant relationship between HR expense and firm performance. For instance, Pfeffer (1997) acknowledge that there is a relationship between HR expenses and organizational performance cautions that if all HR becomes is to rely on numbers solely, then what remains the difference between HR and Finance (Toulson & Dewe, 2004).

On the other hand, Kwon (2019) and Vithana, Jayasekera, Choudhury & Baruch (2018), explains in their work that although there remains a significant relationship between HCI and organizational performance, it is not immediate, and it takes time for that effect of taking place and becoming visible, thus proposing that the relationship is long term rather than short term. Debates are surrounding the idea that whether compensation is directly related to corporate performance or whether it has to be performance-based compensation that focuses on compensating individual employees who are drivers of organizational performance (Nourayi & Daroca, 2008).

How to Calculate HR Expense

Although there are different approaches to calculating HR expense or HCI of an organization, among all the relevant research, a few variables remained common proposed by all researchers. For instance, Flamholtz (1981) suggested we measure HCI based on two significant expenses. One, acquisition cost and the other is learning cost. Another widespread strategy has been to analyze the change in the market of the company and return on HCI. Since the measurement process varies depending on the situation and none of the methods covers all concerns, Mubarik, Chandran&Devadason (2017) proposed developing a unique approach that incorporates both qualitative and quantitative aspects of HCI.

Most of the authors and researchers in this field focused on three components of Human Resource functions as direct investment in their employees; those are salary

or compensation, cost of training and developing employees giving employees their job security (Roca-Puig, Beltrán-Martín, & Segarra-Ciprés, 2012).

How to Calculate Financial Performance

Prior studies have shown that HRM is integral to firms' strategic activities and contributes to firms' profitability rather than just an operational cost (Delery & Doty, 1996; Huselid, 1995). Numerous past works have been done on the measurement of a firm's profitability. Many researchers used accounting measures as indicators of financial performance (Richard & Johnson 2001; Shrader, Blackburn & Iles 1997; De Meuse, Vanderheiden & Bergmann, 1994). Most commonly used accounting measures are Profit Margin (net income by net sales), Return on Asset (net income divided by average total assets), Return on Investment (net income divided by invested capital) and Return on Equity (net income divided by common stockholders' equity). These ratios represent a firm's earnings and indicate the overall profitability of the firm (Shrader et al., 1997).

On the other hand, some researchers prefer economic measures over accounting measures (Hueslid, 1995; Hirsch, 1991). Economic profit gives the market value measures of profitability, which is mostly measured by Tobin's q (Hirsch, 1991). Tobin's q is calculated by using the market value of the shares and dividing it by the replacement cost of its assets. While accounting measures gives a historical perspective, economic measures give the market perception of both future and current profitability. It is also unaffected by choices of accounting methods, depreciation and other noncash activities and measurement error. However, accounting measures contains additional relevant information that is not given by economic profits (Hirschey & Wichern, 1984). Moreover, market-based measures are mostly related to systematic market trends among all firms, whereas accounting measures depict unsystematic attributes of firms (McGuire, Sundgren, & Schneeweis, 1988).

As stated by Hirschey & Wichern (1984), both accounting and market data give unique measures of profitability. There are researches which use both measures for profitability. Huselid (1995) used both accounting measure and economic measure to capture profitability. For economic measure Tobn's q was used, and for accounting measure, Huselid (1995) used gross rate of Return on Asset, which is calculated by dividing cash flow by gross capital stock. This measure is less affected by depreciation and other non-cash transactions, unlike traditional accounting measures.

Hopkins & Hopkins (1997) used three measures to depict the unique picture of a bank's financial situation: Net Income, Return on Equity, and Deposit Growth. Net

Income was used because it was the most commonly used measure to indicate financial performance. Return on Equity is perceived as the ultimate measure of the strength of any financial institution and is considered as the preferred indicator of a bank's financial performance (Hopkins & Hopkins, 1997). Deposit Growth is exclusive to banking and related financial service industries and is measured by the percentage change in consumer demand deposit. Following Hopkins & Hopkins (1997), Richard & Johnson (2001) used ROE as a measure of financial performance for banks. In general, the appropriate measure will change with the level of analysis, and it will depend on the particular context or research setting (Becker & Gerhart, 1996).

3. RESEARCH METHODOLOGY

We wanted to ascertain whether or not there exists a significant relationship between Human Capital Investment and firm financial performance. In pursuit of that, we came across many different methods of establishing and testing this relationship.

Research Design

We are aiming for secondary quantitative research based on already available published data. We decided to include all the thirty different banks enlisted in the Dhaka Stock Exchange (DSE) to be our sample for the study. The reason for choosing listed banks in DSE is the uniformity of reporting standards and availability of data we seek for the study. For this purpose, we collected financial data of these thirty banks from their audited annual report from the year 2013 to 2017.

Measures

We used SPSS to run different analysis on the data to see the possible relationship among the different variables on concern, analysis like multivariate regression on panel data was run for the mentioned purpose. Our hypothesis based on our agenda of this research is;

Hypothesis H: HR cost per employee has a significant relationship with firms' financial performance.

For ease of research, we break it down further into three different hypotheses

H1: HR cost per employee has a significant relationship with Profit Margin of a firm.

H2: HR cost per employee has a significant relationship with ROA of a firm.

H3: HR cost per employee has a significant relationship with ROE of a firm.

Dependent variable

Dependent variables for this study is profit margin, ROA, ROE. Similar to the work of Clarke & Whiting (2011), we calculated Profit Margin by dividing the net profit after tax with total operating income. For ROA, we calculated this by dividing net profit after tax by average asset. Similarly, we calculated ROE by dividing net profit after tax by average shareholders' equity. Chan (2009) and Firer & Mitchell (2003) also used ROA, ROE, and Profit Margin as an indicator of firm financial performance for their research.

Independent variable

Independent variable for this research is HR cost which is HR expense or HR cost per employee. We calculated total HR cost by adding HR expense of a firm which includes Basic Salary, Allowance, Bonus, Gratuity, Provident fund, benefit with the training expense of an organization. We converted this cost per employee by dividing the total cost by the number of employees of the organization.

Control Factor

Control Factor for the research was included to increase the credibility of the outcome of regression analysis. As Huselid (1995), we added the following control factors:

- Size of the firm: Total employment
- Total Asset
- Revenue Growth
- Capital Intensity: Log of (Property, Plant and Equipment divided by the number of employees)

4. DATA ANALYSIS AND FINDINGS

For our analysis, we used five years of data from all the 30 banks listed under the Dhaka Stock Exchange in Bangladesh. Table 1 and Table 2 present some descriptive statistics. In Table 1, the means and standard deviations of all the measures are given. HR cost per employee has a mean of 0.9, which means that the mean investment in HR in our sample is BDT 0.9 million per employee per year. The

mean ROA is 0.86%, ROE is 11.7% and Profit Margin is 12.10%. Table 2 presents the correlations between the financial measures and HR cost per employee along with the control variables. It can be seen that all three financial measures, ROA, ROE, and Profit Margin, are positively and significantly related to HR cost per employee. For ROA r= 0.324, $p < 0.01$, for Profit Margin r= 0.246, $p < 0.01$, and for ROE r= 0.193, $p < 0.05$.

Table 1

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.86	.698	150
ProfitMargin	12.10	50.085	150
ROE	11.70	4.729	150
Revenuegrowth	9.50	16.950	150
Firmsize	3245.5800	2488.61591	150
Capitalintensity	.0844	.30522	150
Hrcost	.8978	.29574	150
TotalAsset	224408.2000	121048.18446	150

Table 2

Correlations						
		Revenue-growth	Firmsize	Capitalin-tensity	Hrcost	TotalAs-set
ROA	Pearson Correlation	.457**	0.07	.351**	.320**	0.13
	Sig. (2-tailed)	0.00	0.39	0.00	0.00	0.12
	N	150	150	150	150	150
Prof-itMar-gin	Pearson Correlation	.443**	0.12	.417**	.246**	.220**
	Sig. (2-tailed)	0.00	0.14	0.00	0.00	0.01
	N	150	150	150	150	150

ROE	Pearson Correlation	.364**	-0.09	-0.05	.193*	-0.12
	Sig. (2-tailed)	0.00	0.30	0.54	0.02	0.16
	N	150	150	150	150	150
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

To test our hypothesis we ran linear regression of panel data in SPSS. We used three models to test our three hypotheses. In the first model, Profit Margin was used as a dependent variable, and HR cost per employee along with the control variables (revenue growth, firm size, capital intensity, and total asset) was used as independent variables. In Model 2 dependent variable was changed to ROA, and in model 3, the dependent variable was changed to ROE. These models were run in two stages. In the first stage, we used the data of all thirty banks to analyze the relationship between dependent and independent variables. In the second stage, we eliminated the government-owned banks to observe the results only in privately owned banks.

Stage 1

Five years of data of all 30 banks were used in stage 1, which gave a total of 150 observations. Table 3 and Table 4 present the regression analysis summary for the three models in stage 1.

Model 1 is used to test hypothesis H1, which states that HR cost per employee has a significant relationship with the Profit Margin of a firm. The regression model has a R square of 0.371 and is statistically significant ($F = 17.022$, $p < 0.01$). This means that 37.1 % of the variance in profit margin is explained by the model's input. HR cost per employee has a positive coefficient (beta = 33.749) and is statistically significant ($p < 0.05$).

Model 2 is used to test hypothesis H2, which states that HR cost per employee has a significant relationship with ROA of a firm. The regression model has a R square of 0.399 and also is statistically significant ($F = 19.158$, $p < 0.01$). This means that 39.9 % of the variance in ROA is explained by the model's input. HR cost per employee has a positive coefficient (beta = 0.948) and is statistically significant ($p < 0.01$).

Model 3 is used to test hypothesis H3, which states that HR cost per employee has a significant relationship with ROE of a firm. The regression model has a R square of 0.251 with $F = 19.158$, $p < 0.01$. Although statistically significant, the model portrays a weaker relationship between the dependent and independent variable

compared to the other two dependent variables. In this model, only 25.1 % of the variance ROE is explained by the model's input. HR cost per employee has a positive coefficient (beta = 6.427) and is statistically significant ($p < 0.01$).

Table 3

Model Summary					ANOVA	
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**F**	**Sig.**
1	.609[a]	0.371	0.35	40.39	17.02	0.000
a. Predictors: (Constant), TotalAsset, Hrcost, Revenuegrowth, Capitalintensity, Firmsize						
Dependent Variable: $ProfitMargin_a$						
2	.632[a]	0.399	0.379	0.55	19.16	0.000
a. Predictors: (Constant), TotalAsset, Hrcost, Revenuegrowth, Capitalintensity, Firmsize						
Dependent Variable: ROA_a						
3	.501[a]	0.251	0.225	4.162	9.67	0.000
a. Predictors: (Constant), TotalAsset, Hrcost, Revenuegrowth, Capitalintensity, Firmsize						
Dependent Variable: ROE_a						

Table 4

Model Summary	Coefficients[a]				
Model	**Unstandardized Coefficients**		**Standardized Coefficients**		
1	B	Std. Error	Beta	t	Sig.
(Constant)	-38.634	14.389		-2.685	0.008
Hrcost	33.749	15.175	0.199	2.224	0.028
Revenue-growth	1.147	0.198	0.388	5.787	0.000
Firmsize	0.009	0.003	0.431	2.739	0.007

Capitalinten-sity	60.660	13.199	0.370	4.596	0.000
TotalAsset	0.000	0.000	-0.256	-1.691	0.093
a. Dependent Variable: ProfitMargin					
2					
(Constant)	-0.123	0.196		-0.630	0.530
Hrcost	0.948	0.207	0.402	4.589	0.000
Revenue-growth	0.017	0.003	0.423	6.451	0.000
Firmsize	0.000	0.000	0.661	4.293	0.000
Capitalinten-sity	0.648	0.180	0.284	3.607	0.000
TotalAsset	0.000	0.000	-0.531	-3.589	0.000
a. Dependent Variable: ROA					
3					
(Constant)	6.794	1.483		4.582	0.000
Hrcost	6.427	1.564	0.402	4.110	0.000
Revenue-growth	0.111	0.020	0.399	5.443	0.000
Firmsize	0.001	0.000	0.410	2.384	0.018
Capitalinten-sity	-2.432	1.360	-0.157	-1.788	0.076
TotalAsset	0.000	0.000	-0.484	-2.927	0.004
a. Dependent Variable: ROE					

Stage 2

In stage 2, we only used the privately owned banks listed in the Dhaka stock exchange. Out of the 30 banks, 29 banks are privately owned. So we eliminated the data of one government-owned bank from our data pool. A total of 145 observations were used for our study in this stage. Linear regression was run on the panel data of 29 banks in SPSS. Table 5 and Table 6 present the regression analysis summary for the three models in stage 2.

In Model 1, R square has increased to 0.428 with $F = 20.807$ ($p < 0.01$) indicating that in private banks, the variance in Profit Margin is better explained by the input variables. However, in this stage, the HR cost per employee has become insig-

nificant in this model (p >0.05). Therefore, although the model has become more statistically significant, the association between HR cost per employee and Profit Margin has become insignificant.

In Model 2 R square has increased to 0.495 with F = 27.273 (p < 0.01). The variance in ROA of private banks is also better explained by the input variables. Here the HR cost per employee remains statistically significant (beta = 0.68, p < 0.01). Therefore, it can be said that there is a significant positive association between HR cost per employee and ROA in private banks listed in DSE.

In Model 3 R square has slightly increased to 0.291 with F = 11.835 (p < 0.01). HR cost per employee has a positive coefficient (beta = 4.062) and is statistically significant (p < 0.01). This model still portrays a weaker relationship between the dependent variable and the independent variable.

Table 5: Model Summary

					ANOVA	
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**F**	**Sig.**
1	.654[a]	0.428	0.407	39.151	20.807	.000
a. Predictors: (Constant), TotalAsset, Hrcost, Revenuegrowth, Capitalintensity, Firmsize						
Dependent Variable: $ProfitMargin_a$						
2	.704[a]	0.495	0.477	0.500	27.273	.000
a. Predictors: (Constant), TotalAsset, Hrcost, Revenuegrowth, Capitalintensity, Firmsize						
Dependent Variable: ROA_a						
3	.539[a]	0.291	0.265	3.589	11.385	.000
a. Predictors: (Constant), TotalAsset, Hrcost, Revenuegrowth, Capitalintensity, Firmsize						
Dependent Variable: ROE_a						

Table 6

Coefficients						
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Correlations**
	B	**Std. Error**	**Beta**			**Zero-order**
1						
(Constant)	-33.070	14.589		-2.267	0.025	
Hrcost	23.493	15.406	0.134	1.525	0.130	0.248
Revenuegrowth	1.431	0.213	0.436	6.722	0.000	0.493
Firmsize	0.008	0.003	0.408	2.684	0.008	0.131
Capitalintensity	67.916	13.594	0.408	4.996	0.000	0.433
TotalAsset	0.000	0.000	-0.220	-1.501	0.136	0.229
Dependent Variable: ProfitMargin$_a$						
2						
(Constant)	0.063	0.186		0.338	0.736	
Hrcost	0.680	0.197	0.285	3.456	0.001	0.291
Revenuegrowth	0.022	0.003	0.488	8.010	0.000	0.537
Firmsize	0.000	0.000	0.672	4.707	0.000	0.113
Capitalintensity	0.876	0.174	0.387	5.046	0.000	0.408
TotalAsset	0.000	0.000	-0.514	-3.729	0.000	0.162
Dependent Variable: ROA$_a$						
3						
(Constant)	8.625	1.338		6.448	0.000	
Hrcost	4.062	1.412	0.281	2.876	0.005	0.122
Revenuegrowth	0.130	0.020	0.480	6.647	0.000	0.470
Firmsize	0.001	0.000	0.498	2.946	0.004	-0.010
Capitalintensity	-0.119	1.246	-0.009	-0.095	0.924	0.035
TotalAsset	0.000	0.000	-0.533	-3.266	0.001	-0.067
Dependent Variable: ROE$_a$						

5. DISCUSSION

With growing importance in Human Resource Accounting, the purpose of this study was to examine the effect of Human Resource Investment on firms' financial performance. The focus of this study was on the banking industry in Bangladesh, specifically the publicly listed ones, where we wanted to see whether investing more in Human Capital provides a higher accounting returns. For a sample of 30 listed banks in Bangladesh, our result in general support the argument that banks with higher investment in Human Resources experience higher financial return. However, depending on the performance measure, some measures portrays a stronger association, whereas others could not establish a significant one.

Return on Asset (ROA), seemed to be the better predictors of Human Resource Investment than other two measures. Both correlation and regression analysis suggested that return on asset has a statistically significant positive relationship with HR cost per employee. The results from stage 1 analysis, where all 30 banks were considered, showed that 37.9 % of the variance in ROA was explained by HR cost per employee along with the control variables suggesting that an increase in investment in human capital would very likely contribute to an increase in ROA. This finding supports past research which says that when an employer considers employees as value creating source and invest more in human capital, employees become more motivated and contribute more towards the company and help increase Company's financial performance. (Takeuchi, Lepak, Wang, & Takeuchi, 2007; Huselid, 1995). The association was more established in stage 2 when only private banks in the sample were used for analysis. There was only one government-owned bank listed in Dhaka stock exchange, removing the data of which resulted into obtaining a much better result; R square increased to 0.495 with $F = 27.273$ ($p < 0.01$), indicating that the effect of human resource investment on ROA is more significant in private banks.

Profit Margin also showed a positive association with HR cost per employee in stage 1 with R square of 0.371 and $F = 17.022$ ($p < 0.01$). However, in stage 2, the significance of the association could not be established. For ROE, the analysis suggested a weaker relationship between the dependent and independent variable compared to the other two dependent variables. However, the beta of HR cost per employee was positive and statistically significant.

6. CONCLUSION AND FUTURE RESEARCH

Human Resource Investment is being increasingly acknowledged as a significant strategic asset which the firms can utilize as an important competitive advantage for

improving their financial performance. Our study also provides empirical evidence that with firms' increased investment on human resources, superior financial results can be achieved which challenges the traditional management approaches to consider employees as problems or costs. Therefore, this study holds several managerial implications emphasizing critically on the fact that money spent on people in the form of their salary, other benefits, and training should be viewed as significant investments rather than mere operational cost of doing business. Paying competitive salary can boost employee morale and help in employee retention. In addition, increasing investment on training can help employees to acquire new skills and gain knowledge. However, as this study was focused solely on accounting perspective, there is scope for future research to accommodate economic measure and behavioral aspect as well. Considering those aspects could have yielded more in-depth results. Likewise, this relationship can also be explored in different companies in different industries.

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