INTRODUCTION

Historically, we find in Singh and Singh (2009) that the first attempt to value human beings in monetary terms was carried out by Sir William Petty (1623-1687). Most manufacturing companies posit that the most important corporate resource will be human capital, as it is the premier source of future competitive advantage for a firm (Gnyawali and Offstein 2008). With materials, machines and money, little or nothing may be achieved without human capital contributions (Olaniyan and Lucas, 2008).

Numerous firms have invested heavily in human resource capacity and have applied
human resources accounting in one way or the other. Most of these investments ranged from training and retraining of quality staff, managerial remuneration, recruitment and selection cost, health and safety cost, labor turnover cost, etc, do not always reflect in the statement of financial position of these various organizations. However, they are charged against revenue for the period to reduce income and by extension the value of the business. The investments in human capital development by these companies are normally not reflected in the statements of financial position as assets but expressed in the expense account as routine financial expenses.

Flamholtz and Lucey (1981) in their research work articulated that all costs which are made purposively to induce, monitor and retain human capital in an organization constitutes human capital investments with the anticipation of future returns. These returns may however come in the form of an enhanced market value if human capital cost is treated as investments in the financial statements.

However, the major challenge encountered in the recognition of human resource as an asset depends largely on its characteristics, quantification in monetary terms, the method of reporting and its effects on the market value of organizations. Thus, based on the above background, the researchers seek to clearly elucidate the effect of human resource accounting information on the market value of quoted manufacturing firm in Nigeria.

**STATEMENT OF THE PROBLEM**

Human capital has been considered to be a very important asset to reckon with in an organization. Although, the problem of not according this asset adequate recognition in the financial statement of organizations unlike other assets have been recognized. Thus, this may result in distorted presentation of organizations’ financial statements and the assessment of the true position of the organizations’ performance could be misleading (Adebawojo, Enyi, and Adebawo, 2015).

Companies that invest in physical capital try to select alternatives that offer the highest return on their investment; they equally intend to invest in human capitals which offer them the highest return. It has been noted that the traditional accounting methods, which are based on tangible assets and historical transactions, are inadequate for valuing intellectual capital of which human capital belongs (Ismaila, 2013). It becomes imperative therefore for firms to develop methods of valuing their human capital and its impact on the firm’s performance, if it would continue to be relevant in the ever competitive knowledge-based economy.

**OBJECTIVES OF THE STUDY**

The main objective of the study is to investigate the effect of human capital accounting information on the market value of quoted manufacturing firms.

Specific objectives include to:

1. Examine the impact of managerial remuneration on firms earning per share
2. Determine the impact of health and safety cost of human resource on firm’s earning per share
3. Evaluate the effect of labour turnover cost of human resources on firm’s earning per share
4. Ascertain the extent to which retirement benefits has affected the firms earning per share
STATEMENT OF HYPOTHESES

i. $H_0$: Managerial remuneration does not significantly affect firm’s earning per share

ii. $H_0$: Health and safety cost does not significantly influence firm’s earning per share

iii. $H_0$: Cost of labour turnover does not have any significant effect on firm’s earning per share

iv. $H_0$: Retirement benefit does not significantly affect firm’s earning per share

Conceptual Framework

Human Capital Accounting

Human capital is ‘the knowledge, skills, competencies and attributes in individuals that facilitate the creation of personal, social and economic well-being’ with the social perspective (Rodriguez and Loomis, 2007). In another words, it is an amalgam of factors such as education, experience, training, intelligence, energy, work habits, trustworthiness, and initiative that affect the value of a worker’s marginal product.

Human capital accounting can briefly be described as the process of identifying, measuring and communicating information about human resources in order to facilitate effective management within an organization. It deals with the accounting principle of matching costs and revenue and of organizing data to communicate relevant information in financial terms [Flamholtz (1974), Okafor and Jeroh (2010), (Kırıfı and Abdullahı (2012), and, Jeroh (2013)].

Managerial Remuneration

Remuneration refers to any money or its equivalent given or passed to any person for services rendered by him and includes prerequisites (Hornby, 2000). In other words, managerial remuneration is the salary paid to the managers of the company at the top management level. Example of one such position is Director of the company.

Health and Safety Cost

Health and Safety (H & S) as a function focuses on securing and promoting safety and health of the staff working for the company which includes both physical and mental health (Holt 2002). Like most other management functions, health and safety cost includes developing and implementing H&S strategies, measuring and following up on performance issues and report these issues to internal and external stakeholders (Rikhardson, 2005).

Labour Turnover Cost

Employee turnover is defined as the replacement cycle each time a position is vacated either voluntarily or involuntarily (Woods, 2006). Price, (1977), puts it as the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the same period.

Retirement Benefits

Retirement Benefits are all forms of consolidation given by an entity in exchange for service rendered by employees (IAS 19). Pension as defined by Adams, (2005) is the amount paid by a government or private company to an employee after working for some specific period of time, considered too old or ill to work or have reached the statutory age of retirement. In Okoye and Ani (2004) retirement in Nigeria is defined as a cessation of service after an officer has served for a minimum of 15 years.

Market Value

The term Market Value and Fair Value as it
commonly appears in accounting literature are generally compatible, if not in every instance or exactly equivalent concepts. Fair Value, as an accounting concept, is defined in International Financial Reporting Standards (IFRS) and other accounting standards as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Fair Value is generally used for reporting both Market and Non-Market Values in financial statements. Where the Market Value of an asset can be established, this value will equate to Fair Value. Where the Market Value of an asset cannot be established, its value is arrived at using a surrogate value such as Depreciated Replacement Cost (DRC).

**Earnings per Share**

Earnings per Share (EPS) are the portions of a company's profit allocated to each outstanding share of a shareholder. It serves as a measure of market value/Net income to outstanding number of shares. Thus, EPS is used as a measure of market performance.

\[
\text{Earnings per Share} = \frac{\text{Net Profit attributable to Shareholders}}{\text{No of Shares in Issue}}
\]

EPS is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period [IAS 33.10].

**Theoretical Framework**

**Human Capital Theory**

This study is based on the Human Capital theory proposed by Schultz in 1961 and extensively developed by Becker in 1964. The theory has its origin from labor economics which is a branch of economics that focuses on general work force in quantitative term. According to the theory, Human capital theory contends that education or training raises the productivity of workers by imparting useful knowledge and skills, thus raising workers' future income through increase in their lifetime earnings. The theory postulates that expenditure on education or training and development is costly, and should be considered as investment since it is undertaken with a view to increasing personal incomes.

Based on this theory, there are three basic views for the notion of human capital. The first is the investment view, which views human capital as the result of investment, and so the human capital value is the expenditure that is invested to enhance personal physical strength and intelligence, and acquire knowledge and skills (Schultz 1961). The second opinion is of the view, which conceives that human capital is proprietary knowledge, and skill, experience and the relevant workplace competencies of managers and technical innovators (Weijie and Zhao, 2001). The third view conceives human capital as the total value of personal physical strength, intelligence, knowledge and skills for utilization. The total output is the sum of labor abilities of a particular population (Wang, Xu and Zhao, 2005).

**Flamholtz Model (Reward Valuation Method)**

This model has been suggested by Flamholtz in 1971 as an improvement on present value of future earnings model since it takes into consideration the possibility or probability of an employee's movement from one role to another in his career and also of his leaving the firm earlier, than his death or retirement.

According to this model, the ultimate measure of an individual's value to an organization is his
expected realizable value. Expected realizable value is based on the assumption that there is no direct relationship between cost incurred on an individual and his value to the organization at a particular point in time.

Flamholtz has given the variables affecting an Individual's Expected Value (IERV): individual conditional values and his likelihood of remaining in the organization. The former is a function of the individual's abilities and activation level, while the later is a function of such variables as job satisfaction, commitment, motivation and other factors. The model suggests a three-step approach for this purpose – Determination of the period for which a person is expected to serve the organization; Identification of ‘service states’ (i.e. roles or posts) that the employee might occupy during his service career including the possibility of his quitting the organization; Estimation of the value derived by the organization when a person occupies a particular position.

Empirical Study
Adebanwojo Enyi and Adebawo (2015), in their work on effect of human asset accounting on the performance of business organizations in Nigeria confirmed that human assets accounting significantly affects the banks’ performance and recommends that intangible assets will be disclosed in the statement of financial position, while Marimuthu, Arokiasamy and Ismail (2009) in their study examined the extent to which human capitals have direct impacts on firm performance from various critical perspectives which includes: training, education, knowledge and skills that will enhance human capital effectiveness, postulates that human capital leads to greater firm performance.

Ifurueze Odesa and Ifurueze (2014) carried out an empirical study on the impact of Aggregated Cost of Human Resources on Profitability of BETA NIG PLC. Data on human resource cost were extracted from internal accounting records of the firm, that is, their capital expenses while profitability (PBT) extracted from their financial statement. They observed that there is profitability increase when Human Resource Cost (Revenue and Capital) is disaggregated. Similarly Akintoye Jayeoba and Moses (2016), carried out study on the improvement of Human Resource Accounting Disclosure Practice in Financial Statements through IFRS with particular reference to Nigerian Banks. In this study, 17 index items (variables) were grouped into four (4) Human resource accounting disclosure; Fund, Policy, Statement and Value. Findings show that Human Resource Accounting Disclosure practiced in financial statements is not peculiar to a specific accounting standard.

The study of Okoye and Ezejiofor (2013) tends to ascertain if human resource development has any significant impact on organizational profitability. Their findings revealed that human resources development, motivational tools, training, etc, gives room for workers effectiveness in handling their job, whereas Kwarbaji and Akinpelu (2016) anchored their study on human capital efficiency and corporate performance on selected quoted industrial companies with dependent variable as employee growth, Earning per Share (EPS) and Return on Assets and independent variable of human capital efficiency. The study revealed that there is positive significant relationship between Human Capital Efficiency on ROA and EPS, and an insignificant negative relationship between Human Capital Efficiency on Size, lagged Human Capital Efficiency and Number of Employee Growth.
METHODOLOGY

The research design employed was the ex post facto method. This research was carried out on all the consumables sector of quoted manufacturing companies in Nigeria. The study relied mostly on the use of aggregate secondary data as the main source of data. Thus, data were obtained from annual reports of the selected firms from the year 2011 to 2016.

The study population comprised all the 36 firms in the consumables sector of quoted manufacturing firms on the Nigerian Stock Exchange as at December, 2016. From this limited population, a total sample of 26 companies who have consistently published their annual accounts were used as the sample size.

Data analysis technique used involved descriptive statistics and Pearson correlation coefficient were employed alongside the pooled regression to investigate the relationship between variables which include Market Value using Earning per Share (EPS) as dependent variable while independent variables are managerial remuneration (MR), health and safety cost (HSC), labour turnover cost (LTC) and Retirement Benefits (RB). The hypotheses were tested using Ordinal Least Square Regression.

MODEL SPECIFICATION AND JUSTIFICATION

We specify the following logistic regression model to test the hypothesized effects of Human Resource Accounting Information propensities. To measure the effect of the human resource accounting information on market value (EPS), the functional model formulated for this study is expressed as:

\[
EPS = \beta_0 + \beta_1(MR) + \beta_2(H&SC) + \beta_3(LTC) + \beta_4(RB) + e_i
\]

where

- EPS Earning per Share
- MR Managerial Remuneration to be proxy with managers and directors payment over operating cost
- H&SC Health and Safety Cost proxy with cost of security, staff welfare over operating cost
- LTC Labour Turnover Cost proxy by salaries and wages over operating cost
- RB Retirement and Benefits proxy with pension and gratuity over operating cost
- \( e_i \) Error Term

Where human capital information accounting is the dependent variables \( \beta_1, \beta_2, \beta_3, \beta_4 \), are regression coefficients with unknown values to be estimated; \( X_1, X_2, X_3, X_4 \) are the independent variables. Human Capital Accounting Information (HCAI) is measured by the Managerial Remuneration (MR), Health and Safety Cost (HSC), Labour Turnover Cost (LTC) and Retirement Benefits (RB). The error term (e) is used as surrogate for other variables not included in the model.

Decision Rule

If the computed value of regression is less than the critical value, the null hypotheses (Ho) are accepted and the alternate hypotheses (Hi) rejected. But if the value of regression is greater, then the null hypotheses (Ho) will be rejected.

PRESENTATION AND ANALYSIS OF DATA

Presentation of Data
Table 1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) statistics (normality test). The result in Table 1 provided some insight into the nature of the selected Nigerian quoted companies that were used in this study. Firstly, the large difference between the maximum and minimum values of Health and Safety Cost (HSC) shows that the sampled quoted companies in this study are not dominated by either large or small companies and that on the average, over the six-year period covered by this study, that about 3% of our sampled manufacturing companies are involved in providing health and safety cost disclosures of their employees in their financial statement.

Secondly, it was observed that on the average over the six (6) year period (2011-2016), the sampled quoted companies in Nigeria were characterized by positive average EPS (14.69). We also observed that the average labor turnover cost (LTC) over the period was 0.125820, the maximum value was 0.504700 while the minimum stood at –0.009000. This shows that most quoted manufacturing companies in Nigeria generate Labor turnover cost differently. These wide variations in Labour turnover cost therefore justify the need for this study, as we expect companies with low labour turnover cost (LTC) to perform better with high EPS market value. A look at the Retirement benefit cost (RB) variable shows that about 37% of our sampled companies were involved in one form of retirement benefit scheme or the other. Lastly, in Table 1, the Jarque-Bera (JB) which test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed and significant at 1% level and the result could be generalized. This also implies that a least square regression can be used to estimate the pooled regression models.

**Correlation Analysis**

In examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in Table 2.
The use of correlation matrix in most regression analysis is to check for multicollinearity and to explore the association between each explanatory variables and the dependent variable. Table 2 focused on the correlation between market value, proxy as Earnings per share (EPS), as our dependent variable and our explanatory variables which consist of Health and safety cost (HSC), Labour turnover cost (LTC), Managerial remuneration (MR) and Retirement benefit (RB).

The findings from the correlation matrix table shows that all our explanatory variables were positively and weakly correlated with our dependent variable (EPS, HSC=0.07; EPS, LTC=0.15; EPS, MR=0.08; and EPS, RB=0.05).

In checking for multicollinearity, we noticed that no two explanatory variables were perfectly correlated. This means that there is the absence of multicollinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes in the estimated model coefficient, and the bias of the standard errors of the coefficients.

**Test of Hypotheses using Pooled Ordinary Least Square Regression Method (OLS)**

However, to examine the impact relationships...
between the dependent variables (EPS) and our independent variables and to also test our formulated hypotheses, we used the Ordinary Least Square (OLS) regression analysis since the data had both time series and cross sectional properties. The pooled interaction based OLS regression results obtained is presented and discussed below while detailed result is presented as appendix.

**Earnings Per Share (EPS) Model**

The Earnings per share (EPS) pooled OLS regression results examined the effect of human capital accounting information on the market value of consumables sectors of quoted manufacturing firms in Nigeria. It investigates the effect of Health and safety cost, Labour turnover cost, Managerial remuneration and Retirement benefits on firms market value proxy as Earnings per share (EPS). The results obtained are presented in Table 3.

In testing for cause-effect relationship between the dependent and independent variable in EPS model, we reported the OLS pooled regression results in Table 3. In table 3, we observed that from the EPS result, the R-squared and adjusted r-squared values were 0.03 and -0.002762 respectively. This indicates that all the independent variables jointly explain about 3% of the systematic variations in EPS of our sampled companies over the period (2011-2016). The F-statistic value stood at (0.918064) and its p-value (0.46).

**Hypothesis One**

\[ H_0: \text{Managerial remuneration does not significantly affect firm's earning per share:} \]

Based on the table 3 above, t-statistics value of -0.062916 and p-value of 0.55 was found to have a negative influence on our sampled companies EPS performance but this influence is also not statistically significant since its p-value is more than 0.10. This therefore suggests that we should accept our null hypothesis. This result implies that for every #1 spent on management remuneration by firms, it can leads to about 54k decrease on EPS of their market value since it has a negative impact on EPS and thereby reduces earning power of shares of such firms in Nigeria. This finding supports our aprori expectation and also agrees with the findings of Olayimola (2016) and Marimuthu, Arokiasamy and Ismail (2009); and negates the findings of Ifurueze, Odesa and Ifurueze (2014).

**Hypothesis Two**

\[ H_0: \text{Health and safety cost does not significantly influence firm's earning per share} \]

Based on the Table 3 above, t-statistics value of 0.638589 and p-value of 0.52 was found to have a negative influence on our sampled companies EPS performance and this influence is not statistically significant since its p-value is more than 0.10. This therefore suggests that we should accept our null hypothesis. This result implies that for every #1 spent on health and safety cost by firms, it leads to about 52k decrease on EPS of their market value since it has a negative impact on EPS and thereby reduces earning power of shares of firms in Nigeria. This means that on the basis of the use of health and safety cost disclosures to generate market value of shares by companies in Nigeria, companies that disclose such information do not perform better. This finding supports our aprori expectation and also agrees with the findings of Okoye and Ezejiofor (2013) and negates the findings of Ifurueze, Odesa and Ifurueze (2014).
Hypothesis Three

$H_0$: Cost of labour turnover does not have significant effect on firm’s earning per share

Based on the table 3 above, t-statistics value of -1.424218 and p-value of 0.16 was also found to have a negative influence on our sampled companies EPS market value but this influence is not statistically significant since its p-value is more than 0.10. This therefore suggests that we should accept our null hypothesis. This result therefore implies that for every #1 spent on labour turnover cost can lead to a decrease of about 16k in our EPS market value. This means that on the basis of the use of Labour turnover cost disclosures to generate EPS market performance, companies with lower labour turnover cost perform better. However, the effect is not statistically significant and should be ignored by firms. This finding supports our apriori expectation and also agrees with the findings of Kwabai and Akunpel (2014); Bassey and Tapan, 2012 and Okoye and Ezjiofor, (2013) and negates the findings of Ifurueze, Odesa and Ifurueze (2014).

Hypothesis Four

$H_0$: Retirement benefit does not significantly affect firm’s earning per share

Based on the Table 3 above, t-statistics value of 0.364872 and p-value of 0.72 was found to have a positive influence on our sampled companies EPS performance and this influence is not statistically significant since its p-value is more than 0.10. This therefore suggests that we should accept our null hypothesis. This result implies that for every #1 spent on Retirement benefit cost by firms, it can leads to about 72k increase on EPS of their market value since it has a positive impact on EPS and thereby increase earning power of shares of firms in Nigeria. This means that on the basis of the use of retirement benefit cost disclosures to generate market value of shares by companies in Nigeria, companies that disclose such information perform better, although, this effect is not statistically significant. This finding confirms our apriori expectation and also agrees with the findings of Sowunmi, Eleyowo, Salako and Oketokun, (2015) and negates the findings of Ifurueze, Odesa and Ifurueze (2014).

SUMMARY OF FINDINGS AND CONCLUSION/RECOMMENDATIONS

Summary of Findings

The following findings were gathered from the study:

1. Management remuneration has negative influence on our sampled companies’ EPS performance but this influence is also not statistically significant.
2. Health and Safety Cost (HSC) have negative influence on our sampled companies’ EPS performance and this influence is not statistically significant.
3. Labour Turnover Cost (LTC) has negative influence on our sampled companies’ EPS market value.
4. Retirement Benefit (RB) has positive influence on our sampled companies’ EPS performance.

Conclusion/Recommendations

The purpose of this paper is to investigate the effect of human capital accounting information on market value, and to assess the strength and weakness of this tool in measuring firm
performance as evidenced from all the consumables sector of quoted manufacturing companies in Nigeria. Consistent with previous studies, this study concludes that there is no significant relationship between the dependent variable and the independent variables.

The researchers, therefore, recommend as follows:

1. Management should device a means of encouraging the management staff, since management remuneration does not significantly influence the market value of quoted manufacturing companies in Nigeria. Meaning that management should emphasize more on benefits in kind and good working conditions as these would boost management staff morale.

2. Provision of sound health and security facilities should be made in every section of the firm to encourage workers. This means that on the basis of the use of health and safety cost disclosures to generate market value of shares by companies in Nigeria, companies that disclose such information does not perform better. Hence, management should be articulate in approving such expenses.

3. As labour turnover cost does not significantly influence earnings per share performance of quoted manufacturing companies in Nigeria, the management should try to manage the labour turnover efficiently to avoid a serious damage on the firm performance.

4. Since the study shows that on the basis of the use of retirement benefit cost disclosures to generate market value of shares by companies in Nigeria, companies that disclose such information perform better. Therefore, companies are encouraged to disclose their retirement benefits since disclosure encourages better performance.

REFERENCES


### APPENDIX

#### Descriptive Statistics

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<th>EPS</th>
<th>HSC</th>
<th>LTC</th>
<th>MR</th>
<th>RB</th>
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#### Correlation Result

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#### Regression Result of the Sampled Companies

Dependent Variable: EPS  
Method: Panel Least Squares  
Date: 07/25/17  Time: 03:03  
Sample: 2011-2016  
Periods included: 6  
Cross-sections included: 20  
Total panel (balanced) observations: 120

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### APPENDIX (CONT.)

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<td>Sum squared resid</td>
<td>147957.3</td>
<td>Schwarz criterion</td>
<td>10.15454</td>
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<td>Log likelihood</td>
<td>-597.3039</td>
<td>Hannan-Quinn criter.</td>
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<td>F-statistic</td>
<td>0.918064</td>
<td>Durbin-Watson stat</td>
<td>0.519179</td>
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<td>Prob(F-statistic)</td>
<td>0.456020</td>
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