

## **Human Capital Development and Product Innovation: Evidence from Middle Eastern Banks**

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### **ABSTRACT**

This study examines the impact of human capital development, specifically employee training, on product innovation in the banking sector within selected Middle Eastern countries. The study employs panel Poisson regression analysis on a dataset of 190 bank-year observations, covering 38 banks from five Middle Eastern countries over the period 2016 to 2020. Results reveal two principal findings; first, employee training programs are positively and significantly associated with product innovation, highlighting the strategic value of human capital development. Second, financial performance moderates this relationship, with the innovation-enhancing effect of training being more pronounced in more profitable banks. The findings imply that investment in employees' competency, when aligned with a bank's financial capacity, can enhance innovation capabilities.

**Keywords:** Human capital, Employees' Training, Product innovation, Middle Eastern banks.

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