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Human Resource Accounting and Organizational Performance: Empirical Investigation of Nigerian Banks

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Abstract: This study analyzed the impact of human resource capital on organizational performance with specific reference to Nigerian banks. The investigation made utilized an ex post facto research design and auxiliary data from 2010 to 2019. Data were sourced through the Annual Report and Accounts of inspected five recorded Deposit Money Banks from the Nigerian Stock Exchange. The study utilized descriptive and inferential statistics to analyze the data. The study uncovered that organizational financial related execution relies on the presentation of the people that make up the organization. The investigation has indicated that workers' wages and salaries have a positive and noteworthy impact on the benefit making capacity of chose banks. This further reveals that for the chosen banks to continue to sustain and improve on their revenue generation ability in terms of profitability, there is a demand for the management to comprehend and value the contribution of its workforce towards the achievement of organizational goals. The study concluded that a strong impact exists between profit after tax and intellectual capital and opine that human resource info is very relevant for management decision making. In this manner, the proper advances must be taken by regulatory accounting bodies to create uniform adequate principles and models for the estimation and revealing of the value of a human resource in the statement of financial position of organizations, while, the workforce ought to be viewed as the most significant resources of an organization that drives different resources.

Keywords: HRA, DMBs, Wages and Salaries cost, Retirement benefit cost, Profit after Tax, Return on Equity

INTRODUCTION

The part of the banking sector in sustainable financial growth and development of both developed and developing countries have been documented in the literature. No nation can achieve its ivory tower without a strong and sound financial system. A solid banking system mobilizes the small and scattered economies of the community, also makes them readily available for investment in productive ventures. The advancement of 2007-08 worldwide financial related debacles has made the countries all around the globe to perceive the piece of financial sector improvement in supporting budgetary development and advancement especially in advanced created and developing economies, particularly in Nigeria. Having perceived the considerable role of the sector, the Nigerian government, through its agencies set out on a progression of financial reforms since 2004 to date. The reform was constructed for the most part on four cardinal standards including improvement of the nature of banks, foundation of money related harmony, making a more beneficial facial sector advancement and ensuring that the financial sector adds to the real economy (Afolabi, 2011).

In spite of those series of laudable and commendable reforms, the sector has been bedeviled by the distressed syndrome facing the sector. Apparently, the Central Bank of Nigeria disavowed the permit of Skye banking procedure on Sept 21, 2018, and moved its assets and liabilities to a recently authorized bridge bank called Polaris Bank. Additionally, the recent acquisition agreement between Access bank and the Diamond bank has revealed to the world that the sector is ailing and ill. In today's global competitive economic environment, where financial institutions are facing cut-throat competition, effective use of intellectual funds has been identified by the scholars and professionals as a strong tool that paves the path to realize organizational performance (Akintoye, 2012; Onyam, Usang & Enyisi, 2015; Edom,Inah & Adanma, 2015). Financial institutions in the developed nations concentrated on the utilization and reinforce the scholarly assets as information based resources so as to increase upper hand (Hamzah and Ismail, 2008). Wright et al., (1993) additionally battled that HR might be a wellspring of proceeding with upper hand of organizations as, they satisfy the guidelines of being valuable, uncommon, supreme, and non-substitutable. At in a comparative vein, Resource-based scholars additionally battled that human capital might be a wellspring of feasible favorable position in light of the fact that unsaid information and social intricacy are difficult to emulate (Coff, 1997).

As indicated by Kirfi and Abdulahi (2012), the theory of HR accounting is by all accounts valuable, in any case, there is as yet an absence of satisfactory principles for its assessment. They fought that the current accounting practice need regard for HR as an advantage. Similarly, Karimi (2012) additionally fought that out of 3 organization's assets, financial resources, physical assets, and human assets, only the financial and physical assets are reflected as assets in the organization's accounting report towards the finish of each financial year. The main reference made about human funds is generally in the Chairman's or Chief Executive Officers keynote address to the result that, Before I conclude, I want to sincerely thank our staff without whose dedication and commitment. We are not have achieved our goals plus they are our most valued resources'(Edvinsson & Malone, 1997).

This investigation legitimizes the interest for subtleties on the grounds that there is a lack of concentrates on the effect of HR accounting on the activity of the banking sector in developing countries, for example, Nigeria.

RESEARCH QUESTIONS.

The germane questions agitating the minds of the researchers.

i. How do staff salaries cost affect the operation of Nigerian Deposit Money Banks?

ii. Would worker retirement benefits cost affect the operation of Nigerian Deposit Money Banks?

RESEARCH HYPOTHESES

To answer the research questions, the following hypotheses are stated from the Null form only.

$\mathbf{H_{o1}}$: Staffsalaries cost donot have any significant effect on the operation of Nigerian Deposit Money Banks.

$\mathbf{H_{02}}$: There is not any relationship between worker retirements benefits cost and the performance of Nigerian Deposit Money Banks.

THEORETICAL AND CONCEPTUAL FRAMEWORK

Human Capital Accounting is the way toward recognizing and detailing the speculations made in the HR of an organization that is not right now represented in traditional accounting practice. HR Accounting Committee of the American Accounting Association (1973) HR accounting characterized as the way toward distinguishing and estimating information on HR and conveying this data to invested individuals. Beattie and Smith (2010) demonstrated that worker abilities, training, commitment, uplifting mentality, conduct, and inspiration are considered to add to the worth making of an organization and ought to be accounted for as a benefit in the announcement of financial position. Inside the article of Hossain, Akhter and Sadia (2104) in their research activities found that the quantity of ventures on HR typically made by corporate substances and the effect of such speculations on the efficiency level of the laborers legitimizes their treatment and acknowledgment as resources rather than costs.

The human capital hypothesis likewise accentuates the worth added that people add to an organization. The hypothesis proposes that interest in individuals brings about financial advantages for individuals and society overall (Sweetland, 1996). As per Becker (2009) and Shultz (1993), interest in an individual can be made with respect to wellbeing, sustenance, instruction and whatever other improvement that outcomes in the long haul advancement benefits. The hypothesis is related with the asset based perspective on the organization Barney (1991), built up a hypothesis that recommends that a manageable upper hand is accomplished when the organization has human capital that can't be imitated or subbed by its rivals, for the business interests in preparing and creating people is a methods for drawing in and holding human capital, just as getting more come back from these ventures.

So also, Surarchith, Vaddadi, and Cura (2017) emphasized that business interests in preparing and creating individuals significantly affect the exhibition of organizations. A similar contention is bolstered by Oyewo (2013) that there is a solid positive connection between HR accounting disclosure and social execution. In an equivalent report, Amahalu, Abiahu, Obi and Okika (2017) additionally agreed that HR accounting has a positive and factually critical impact on financial performance. Crafted by Ofurum and Adeola (2018) additionally settled that there is no noteworthy connection between HR accounting and business performance. Bebbington et al., (2001) further disclosed that to have the option to pull in both local and foreign investors, organizations must give helpful information which will help them in surveying the management viability and the future estimation of the organizations. By suggestion, HR accounting ought to be reflected as resources at the organization's accounting report towards the end of each financial year.

The stakeholder theory likewise demonstrates that all stakeholders reserve an option to be given information on the organizational activities affected them, in any event, when they select not to use it (Deegan, 2000). As per Guthrie et al., (2006), organizations ought to give deliberately unveil subtleties on their HR, far beyond mandatory necessities, to meet real or perceived stakeholders desires. Salary cost has for quite some time been viewed as one of the most significant hierarchical prizes (Heneman and Judge, 2000) in light of the fact that it permits workers to get different prizes (Lawler, 1971). Frederick Taylor (1911) was one of the soonest to perceive the spurring impacts of salary cost when he suggested that laborers set forth additional exertion at work augment their monetary increases. Despite the fact that this reason lost kindness in the late 1920s with the rise of the human relations school, cash remains the central way that organizations reward workers. However, in spite of the long-standing significance of salary cost, the manner in which salary cost impacts the conduct of workers and for sure employment execution stays to be clarified.

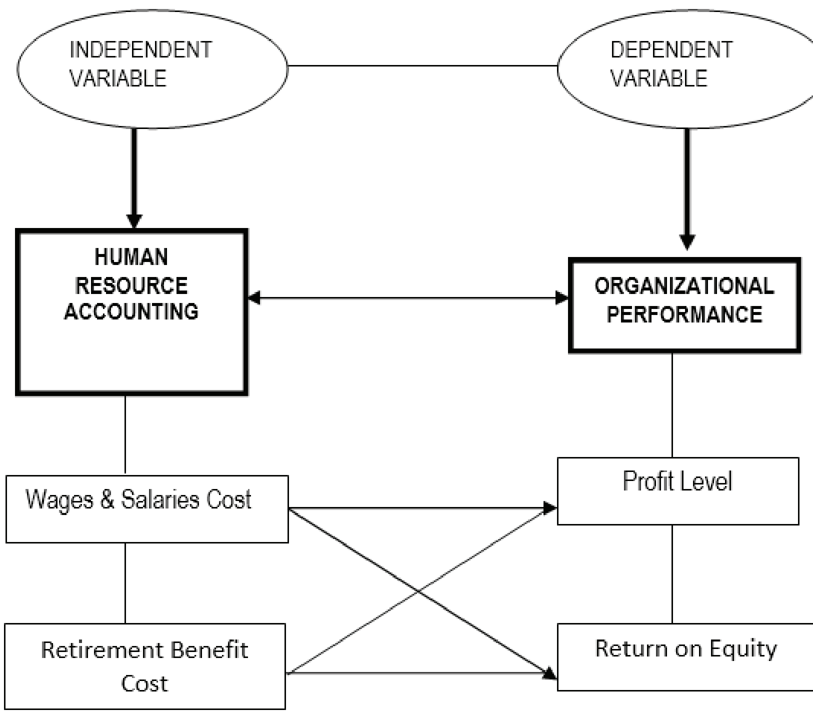
Fortification hypothesis and anticipation hypothesis developed as the soonest speculations to reveal some insight into how salary cost impacts representative conduct. Fortification hypothesis proposes that salary cost goes about as a general reinforcer in view of its continued blending with essential reinforcers. Individuals gain from life encounters that an essential need, for example, nourishment or safe house, can be fulfilled if cash is acquired. Different scholars propose that through comparative encounters a drive for cash it creates (Miller, 2005). In the case of regarding pay as an unfortunate chore or as an end itself, fortification hypothesis does not give a reasonable clarification to how salary cost goes about as a catalyst for activity. Individuals take part in practices on account of past encounters, however the procedure by which past encounters decide a person's future conduct stayed indistinct. Vroom's (1964) hope hypothesis explained how salary cost pay impacts performance.

Gaps in Literature

Past studies on human resources accounting like Flamholtz, (1999), Barney(1991), Beattie and Smith(2010), Brummet (1990), Bullen and Eyler (2010), Fajana (2002), Ijeoma and Aronu(2013), Ikpefan and Kazeem(2015), along with Ishola, Olowolaju and Odewusi (2015) concentrated mainly on the human asset accounting being capitalized in the financial statements as opposed to the traditional method of being treated as an expense and the impact on the decision made by investors utilizing the financial report of such organizations without creating many reasons for such clinics. Additionally, HR is mostly seen as an essential part of the business's value-creating process. Additional studies like Elliot(1991), Enofe et.al (2013), Enyi and Adebowojo (2014), Ezeagba (2013) and Ezejiofor et.al (2017) did a brief review of human asset accounting and solutions to reporting it at the financial statements. They attempt to correlate human resources accounting with areas of different interests such as economic expansion, decision making. None of them examines the scope inclusion of human resources accounting at the balance sheet influence organizational performance. Base on this backdrop, the analysis aims to complement the existing gap and provide an examination of HR accounting on Nigerian banks functionality for a period of 2010-2019.

Conceptual Model

Having reviewed the empirical studies on the relationship between human resources accounting and organizational performance, the following conceptual model was formulated to illustrate the impact of human resources accounting dimensions and organizational performance.



Source: Developed by the Researchers (2020)

Figure 1 shows the hypothesized model with the independent variables separately linked to the criterion variable (i.e organizational performance).

METHODOLOGY

Research Design: The analysis adopted analytical and descriptive research design of the ex post facto that refers to studies that investigate possible causes and effect relationships by detecting a current condition for Future causal factors and that is because data necessary for analysis already exists. The analysis covered chosen banks and cross-sectional data were utilized. The way is suitable for this study because it depends upon secondary data necessary for the aim of achieving research objectives (Asika, Chitom & Chelichi, 2017).

Sampling Strategy and Sample size: Purposive sampling method was utilized to pick Zenith bank , Guaranty bank, First bank, Access bank, and United bank for Africa from 20 Deposit Money Banks operating in Nigeria. The choice of those banks is based on the fact that there are five banks being ranked among one thousand global banks by the Banker Magazine in 2019 and it likely has the same human resources accounting policy. The period of the study covered ten (10) years between 2010 and 2019.

Method of Data Analysis: This research work adopted both descriptive and inferential statistics to attain the stated objectives. The descriptive statistics used included measures of central tendency like mean, maximum and minimum and measure of variability like standard deviation, skewness, and kurtosis. The study used secondary data for achieving research objectives while inferential statistics used for analyzing the data are Ordinary Least Square (OLS) technique - multiple linear regression analysis and Pearson Product Correlation Analysis with the help of using E-view 9 version in order to determine the relationship between dependent variables and independent variables. **Reliability and Validity of Research Instruments**: The research instrument identified for the aim of this study is published in the audited financial statements of the selected banks. These figures are presumed to have demonstrated the real and fair financial position of the banks as required by the International Financial Reporting Standard which emphasized on good corporate governance, sound professional and ethical practices in their operations.

Model Specifications: The model of the study established the relationship between the dependent variable of financial performance proxy by Profit after Tax (PAT) and Return on equity (ROE), and independent variable is human capital accounting proxy by staff wages and salaries cost and employee retirement benefit cost.To empirically determine the effect of HR accounting on the performance of Nigerian banks therefore, the below mathematical models were specified.

PAT Model 1

$PAT = f(WSC, RBC, \mu)$ -----------------------***eq. 1***

$PAT_{it} = \beta_o + \beta_1 WSC_{1it} + \beta_2 RBC_{1it} + \mu i_t$ -------------------- ***eq.2***

ROE Model 2

$ROE = f(WSC, RBC, \mu)$ -----------------------***eq. 3***

$ROE_{it} = \beta_o + \beta_1 LWSC_{1it} + \beta_2 LRBC_{1it} + \mu i_t$ -------------------- ***eq.4***

Where:

PAT =Profit After Tax

ROE = Return on Equity

RBC = Employee retirement benefit cost

WSC = Staff wages and salaries cost

Log L = Natural logarithm of the variables

β_0 = Constant parameter

β_{1-} β_2 = Regression Coefficient of variables,

U_{it} = Error terms

On a priori expectation, $\beta_1 > 0$, $\beta_{2,} < 0$

It's therefore expected that salaries and wages cost will positively contribute to organizational profitability and return on equity of deposit money banks. Nevertheless, Employee retirement benefit cost is likely to have an inverse relationship with bank performance.

RESULTS AND DISCUSSION

Descriptive Statistics Analysis

Table: 1 Analysis of Descriptive Statistics for Model 1

	PAT	SWC	RBC
Mean	28664.23	22138.40	1909.880
Median	16062.00	20617.00	1167.500
Maximum	167146.0	58298.00	19906.00
Minimum	-83239.00	671.0000	15.00000
Std. Dev.	40293.36	14340.08	2617.037
Skewness	1.009343	0.544324	4.098965
Kurtosis	5.246970	2.394594	25.04293
Jarque-Bera	38.01653	6.465302	2304.569
Probability	0.000000	0.039453	0.000000
Sum	2866423.	2213840.	190988.0
Sum Sq. Dev.	1.61E+11	2.04E+10	6.78E+08
Observations	100	100	100
No of cross sect	10	10	10

Source: Authors' Computation Using E-view 9 (2020)

From the results analyzed in Table 1, the average is the mean value of the series that is obtained by dividing the total value of the series by the number of observations. The above table showed that the average of profit after tax, staff wages, and salaries cost and employee retirement benefit cost are 2866 4.23, 2213 8.40 and 1909.880 respectively.From the table above, PAT had a maximum value of 1671 4 6.0 and a minimum value of -8323 9.00 while RBC had a minimum value of 15. And the maximum value of 1990 6.00 respectively. The consequence of this is that RBC contributed minimally to the increased value of the PAT throughout the sample period whilst the WSC with a value of 671.0000 contributed more than the RBC 15.0000.

From the above table, the standard deviation for PAT, SWC, and RBC is 4029 3.36, 1434 0.08 and 2617.037 respectively. The consequence of the above result is that PAT with standard deviation of 4029 3.36, 1434 0.08 and 2617.037 respectively. The consequence of the above result is that PAT with a standard deviation of 4029 3.36 is compared to other parameters in the study like SWC (14340.08) and RBC (2617.037). The skewness and kurtosis statistics give helpful info regarding the symmetry of the probability distribution of different data series and also the thickness of the tails of those distributions respectively. Both of these statistics are especially of fantastic significance because they're utilized in the computation of all Jarque- Bera statistics that are utilized in testing for the normality or asymptotic property of a certain series. All of the variables PAT, WSC, and RBC(1.009343, 0.544325 and 4.098965), in a study positively distorted, showing that they have a long right tail.

Table 2: Analysis of Descriptive Statistics for Model 2

	ROE	LWSC	LRBC
Mean	4.032600	9.710400	7.022000
Median	9.770000	9.935000	7.120000
Maximum	109.4400	10.97000	9.900000
Minimum	-394.3000	6.510000	2.710000

Contd...

Std. Dev.	49.19915	0.894534	1.135324
Skewness	-6.030183	-1.345389	-0.787521
Kurtosis	46.81249	5.605067	5.857921
Jarque-Bera	8604.111	58.44441	44.36863
Probability	0.000000	0.000000	0.000000
Sum	403.2600	971.0400	702.2000
Sum Sq. Dev.	239635.1	79.21898	127.6072
Observations	100	100	100
No of cross sect	10	10	10

Source: Authors' Computation Using E-view 9 (2020)

Table 2 presents an overview of the descriptive statistics of ROE, LWSC, and LRBC for the study. As shown in Table 2, the amount, mean, minimum and maximum and standard deviation and also the skewness and kurtosis of the variables of interest are evident. The various statistics imply that the variables have different distributions. The skewness and kurtosis statistics give helpful info regarding the symmetry of the probability distribution of different data series and also the thickness of the tails of those distributions respectively. Both of these statistics are especially of fantastic significance because they're utilized in the computation of all Jarque- Bera's statistics that are utilized in testing for the normality or asymptotic property of a certain series. Each of the variables in the study is negatively skewed which indicates a long left tail. Kurtosis statistics of all variables are greater than 3, which implies the degree of flatness of the distribution of the data series not comparative to normal.

Correlation Analysis for Model 1

Table 3: Pearson's Correlation Matrix

	PAT	SWC	RBC
PAT	1.000000		
SWC	0.524041**	1.000000	
RBC	0.134827	0.417712**	1.000000

**. Correlation is significant at the 0.01 level (2-tailed)

Source: Authors' computation Using E-view 9

The results from the table 3 show the individual variables (staff wages and salaries cost (WSC) and employee retirement benefit cost (RBC) were positive correlated and therefore multi-colinearity in the result with the dependent variable constant with 1, staff wages and salaries cost(WSC) at 0.52 and employee retirement benefit cost (RBC) at 0.13 and only SWC is at 0.01 significant level. The interpretation was that the level of multicollinearity between the individual variable wasn't very high which meant that the influence of every variable in the regression equation might be isolated easily.

Correlation Analysis for Model 2

Table 4: Pearson's Correlation Matrix

	ROE	LWSC	LRBC
ROE	1.000000		
LWSC	0.138968	1.000000	
LRBC	-0.023016	0.661399**	1.000000

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Authors' computation Using E-view 9

The results from Table 4, the independent variable of staff salary and salary cost was positive, but weak correlated while employee retirement benefit expenditure was negative correlated with the dependent variable constant with 1. The interpretation was that the level of multi-colinearity between the independent variable was not very high which meant that the influence of each variable in the regression equation could be isolated easily.

Analysis of Regression Result for Model 1

Table 5: Pooled OLS Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3585.509	6370.082	-0.562867	0.5748
SWC	1.592004	0.265851	5.988341	0.0000
RBC	-1.567996	1.456731	-1.076380	0.2844
R-squared	0.283181			
Adjusted R-squared	0.268402			
S.E. of regression	34464.33			
F-statistic	19.16006			
Prob(F-statistic)	0.000000			
Durbin-Watson stat	1.230878			

Source: Authors' Computation Using E-view 9

Table 5 presents summary of the estimated regression model:

PAT= -359 +1.592SWC – 1.568 RBC

From Table 5, it has been observed that the coefficient of determination for the regression as represented by the R2 value of 0.28 suggests about 28 percent of the systematic variation of the dependent variable is accounted for by the explanatory factor. The remaining 72% is caused by a factor that isn't contained in the model that's accounted for by the stochastic error term. The F statistic of 19.16 shows the model of the study is well fitted, this may be confirmed from the significant value of 0.000 which shows that the null hypothesis is rejected and accepts the alternative. This suggests that human resource accounting has significant consequences on profit after taxation of Nigerian banks because nearly all of those banks incurred price on human capital will automatically boost their performance. Nevertheless, it was only SWC which has a positive effect and a significant influence on the PAT as confirmed while RBC was negatively impacted PAT and have no significant influence as confirmed by. Durbin Watson's statistics of 1.23 which falls inside the value of 1.2 to 3.5 shows the signal of serial autocorrelation.

This finding concurs with those of Akintoye (2012) who found Intellectual human resources have a beneficial influence on the profit and capital employed. The finding is also confirmed by Onyam, Usang and Enyisi (2015) who disclosed that there's a good relationship between HR cost and financial performance. In the same way, Edom.,Inah and Adanma (2015) also confirmed that there's a good relationship between the indications of human resource price and the profit of the organization.

Analysis of Regression Result for Model 2

Table 6: Pooled OLS Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-80.18357	53.66880	-1.494045	0.1384
LWSC	15.07499	7.284451	2.069475	0.0412
LRBC	-8.853313	5.739497	-1.542524	0.1262
R-squared	0.042792			
Adjusted R-squared	0.023056			
S.E. of regression	48.62867			
F-statistic	2.168202			
Prob(F-statistic)	0.119895			
Durbin-Watson stat	1.932341			

Source: Authors' Computation Using E-view 9

Table 6: Presents summary of the estimated regression model:

ROE= -80.184 +15.075 SWC – 8.8533RBC

Table 6 showed that staff salaries cost and employee retirement benefit expenditure were collectively predicted the operation of banks proxied by return on equity. Therefore hypothesis is accepted. This indicated that there's no significant relationship between human resources accounting and the return on equity of Nigerian banks. From the estimated model from the table above, it was detected that 4% of ROE is influenced by changes in human resources accounting, given the estimated value of R2 of 0.04. The remaining 96% is caused by variables that aren't contained in the model, which is accounted for from the stochastic error term, with the adjusted R2 of 0.02. It implies that the variance of the value of the dependent variable of ROE is explained by 2 percent of the value of human resources. The unexplained variation is merely 98% that makes it not impressive.

Table 6 shows for each individual variable, coefficient, the standardized error of anticipated and also the amount at which the coefficient t was significant. The beta coefficients indicated how and also to what extent which dimensions of individual variables have an influence on the performance of organizations.As suggested in the table 6, the wages and salaries cost (WSC) factor has a significant impact and influence on ROE, as confirmed by (β= 15.075, t = 2.070; P< 0.05),while workers retirement benefit cost (RBC) has an adverse effect on ROE of Nigerian banks as confirmed by (β= -8.853, t = -1.543; P0.05) .The Durbin Watson numbers of 1.93 can also be close to two showing no indication of the serial autocorrelation problem. This result concurs with Ofurum and Adeola (2018) who discovered that there is no substantial relationship between Human Resource Accounting and the Profitability of quoted company due to the inability of the company to compensate their workers well through the payment of aggressive salaries and wages.

Implication of Findings

The findings of this study have many implications for stakeholders. The research revealed that where there's the inclusion of human capital in the organization statement of financial position, as part of the total assets, this moves a considerable way in determining total assets employed by an organization. The period of inefficient utilization of human assets experienced by a number of the chosen banks as stated in the study could be attributed to wrong decision making on positioning of funds and staff in improper job functions that typically lead to poor financial and operational functionality as the banks will be refused the use of best skills for good results. Additionally, Banks will experience wastage of resources apparently due to insufficient motivation recognition of contributory efforts of personnel to the overall profit-making ability of the banks. The findings of this study have many implications for stakeholders among that are! **Management:** Human Resource Accounting (HRA) served as a managerial tool in aiding managerial decisions that's beneficial for the long-run strategic targets and sustainability of the corporation. HRA derived the growth of the HR by changing the patient behaviour, attitude and thinking in the desired direction to attainments of business goals. Investors: The value of a firm's HR is useful to prospective investors in making an investment decision on placement of funds based on true and fair financial statement reporting by organizations. **Employees:** This study served as a morale booster to employees towards developing themselves with regards to skill acquisition and qualification so as to attract a higher value and improve their job performance.

CONCLUSION

The study concluded that organizational financial performance depends upon the performance of the individuals that make up the organization. The study has shown that employees' wages and salary have a positive and significant effect on the profit-making ability of selected banks. This further reveals that for the chosen banks to continue to sustain and improve on their revenue generation ability in terms of profitability, there is a demand for the management to comprehend and value the contribution of its workforce towards the achievement of organizational goals. The paper concluded that a strong impact exists between profit after tax and intellectual capital and opine that human resource info is very relevant for management decision making.

RECOMMENDATIONS

i. Appropriate steps must be taken by Regulatory accounting bodies to develop uniform acceptable standards and models for the measurement and reporting of the value of a human asset in the statement of financial position of organizations.

ii. The workforce should be regarded as the most valuable assets of an organization that drives other assets.

iii. The top direction of an organization must be willing to adopt the human resources doctrine.

iv. An organization needs to be willing and ready to invest heavily in HR for greater productivity and attainment of corporate objectives.

v. Lastly, the statutory regulators of the Nigerian Capital Market like Security and Exchange Commission, and the Nigerian Stock Exchange should apply and promote the inclusion of human resources costs from the annual accounts of banks, because this inclusion has an impetus to the value of banks.

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