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Impact of Human Resource Accounting on the Financial Performance of Deposit Money Banks in Nigeria

Faith Afoke Oyaide
Ibrahim Yakasai Aminu*
Saheed Ademola Lateef

Department of Accounting & Finance, Baze University, Abuja, Nigeria
**Correspondence Email : ibrahim.aminu@bazeuniversity.edu.ng*

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Abstract
This study investigated the impact of human resource accounting on financial performance of deposit money banks in Nigeria. Specifically, the study examined the impact of staff remuneration, staff training and cost of healthcare on the financial performance of Deposit Money banks in Nigeria. The study adopted the ex-post facto research design. Data were sourced from annual published accounts of Deposit Money Banks listed on the Nigerian Stock Exchange for the period 2018-2022. Descriptive statistics and correlation were used in the analysis of data. Panel analysis was further used to test the hypotheses at 5% level of significance. Findings from the investigation revealed that; staff remuneration with cost of health care and safety have no significant effects on EPS while cost of staff training has a significant effect on EPS of the sampled listed deposit money banks. The study, therefore, recommended the need for staff remuneration to be improved so that banks' staff can put in their best to achieve better performance.

Keywords: Human Resource Accounting, Financial Performance, Staff Remuneration, Staff Training, Cost of Healthcare.

1. Introduction

Human resource is one of the major factors of production and had been generally referred to as all human efforts (skilled, semi-skilled and unskilled) used in the process of production. Human resource is a term which refers to the set of individuals who make up the workforce of an organization or a business entity (Edom et. al2015). According to Syed (2009) human resource comprise of energies, skills, talents and knowledge of people which can be potentially applied to the production of goods or rendering useful services. The driving force of an organization is the human force. The success or failure of any organization is directly related to how human resource can effectively and efficiently manage and organize other factors of production (Omodero & Ihendinihu, 2017).

Micah et al. (2012) posited that the primary objective of human resource accounting is to help management obtain information about the cost and value of human resources. Human resource accounting highlights the quantum of human resources and ensures their conservation, appreciation, and effective utilization. It provides vital data to stakeholders regarding the costs and benefits associated with employing and developing human resources.

Organizational performance is widely regarded as a critical determinant of success. A key driver of such performance is the human resource component. Performance encompasses the outcomes achieved through the contributions of individuals and teams aligned with the organization's strategic goals (Ofurum, 2018). Metrics for evaluating performance range from employee turnover and productivity to financial and market indicators such as return on assets (ROA), return on equity (ROE), profitability, and stock prices (Rogers & Wright, 1998).

Studies like Omodero and Ihendinihu (2017) suggest that proper staff remuneration can motivate employees to work toward organizational objectives. Additionally, Edom (2019) found that training and development significantly enhance organizational performance by equipping staff to handle technical tasks effectively. However, despite the concept of human resource accounting existing for decades, its acceptance remains limited. The valuation and reporting of human resources in financial statements are still in their infancy, especially in Nigeria. Challenges include the subjective nature of human capital valuation and the lack of a universally accepted accounting standard (Khan & Baloch, 2017).

Notably, prior studies on human resource accounting in Nigeria (Omodero & Ihendinihu, 2017; Amahalu et al., 2016) have not comprehensively considered the cost of employee health and safety—a crucial component of human resource accounting. This gap necessitates further investigation. The belief is that adequate employee remuneration and training can improve financial performance. Thus, this study aims to examine the impact of human resource accounting on the financial performance of deposit money banks in Nigeria. Thus, the main objective of the present study is to evaluate the impact of human resource accounting on the Market performance of deposit money banks in Nigeria.

2. Literature Review and Hypotheses Development

Ajayi and Adegbite (2022) analyzed the relationship between human resource investments and the profitability of Nigerian manufacturing firms. Using panel data analysis from 2015 to 2020, the study revealed a significant positive impact of training expenses and health benefits on return on equity (ROE) and return on assets (ROA).

Ndum and Oranefo (2021) investigated the effect of human resource costs on the financial performance of quoted brewery firms in Nigeria. The study utilized an ex-post facto design and analyzed data from five brewery firms listed on the Nigerian Stock Exchange between 2007 and 2019. Regression results showed a positive and significant relationship between staff costs and net profit margin, but an insignificant relationship with return on assets.

Olaoye and Afolalu (2020) examined the relationship between human capital accounting and earnings per share (EPS) of deposit money banks in Nigeria. Using static panel data from 16 banks between 2006 and 2017, their analysis revealed that pension, training, and development expenses positively influenced EPS, while director's remuneration had a negative but insignificant effect.

Olayinka and Adegbie (2020) assessed the impact of human resource accounting on the quality of financial reporting among oil and gas firms in Nigeria. Their findings indicated that human capital contributed significantly to financial reporting quality, particularly in areas like earnings smoothness and conservatism.

Edom (2019) analyzed the impact of human resource accounting on the profitability of Access Bank Nigeria Plc from 2003 to 2012. The study discovered a significant positive relationship between training costs and profitability, whereas the number of staff employed had no notable effect.

While prior studies offer valuable insights, they often exclude critical variables such as employee health and safety costs. This study seeks to fill this gap by incorporating these variables into the analysis of human resource accounting's impact on financial performance.

Akinjare et al (2019) assesses the impact of Human Resource Accounting (HRA) on the performance of Nigerian firms (2012 – 2016) with the use of secondary data, sourced from ten (10) purposively selected annual report and financial summary of oil and gas companies from 2012 to 2016. The study makes use of ordinary least square for the analysis of collected data. Findings show that both gross staff cost and training and development cost have a positive significant impact on the performance of oil and gas companies in Nigeria. However, the study revealed that there is no significant relationship between health and safety cost and organizational performance.

Surarchith and Krishna (2018) examined the effect of human resources on the financial performance of firms in India. The study aimed at ascertaining the relationship between human resource accounting and performance of firm in India. The study was carried out in ten branches of Indian Nationalized bank located in Andhra Pradesh, India. Ordinary least square was used for the analysis of data. It was found that all the variables had significant and positive relationship with firm performance. According to the findings of the study, shelter cost and training & development cost were strongly correlated with firm's performance, but health and safety cost was moderately correlated with firm's performance.

Ofurum and Adeola (2018) studied human resource accounting and profitability of quoted firms in Nigeria. The study used staff remuneration as proxy for Human Resource Accounting; while net operating profit and return on capital employed were used as proxies for profitability. The study used secondary data from audited financial reports of nine (9) service firms quoted on the Nigerian Stock Exchange (NSE) from 2011 -2015. The data collected was analyzed using ordinary least square (OLS) and Pearson Product moment correlation coefficient. The findings revealed that there is no significant relationship between Human Resource Accounting and the profitability of quoted firm. Base on the empirical studies reviewed above, the hypotheses of these stated below:

H1: *Staff remuneration has no significant effect on financial performance of deposit money banks in Nigeria.*

H2: *There is no significant relationship between costs of staff training and financial performance of deposit money banks in Nigeria.*

H3: *There is no significant relationship between costs of health care and financial performance of deposit money banks in Nigeria.*

Theoretical Framework

Human Capital theory was propounded by Schultz (1961). The theory has its root from labour economics which is a branch of economics that focuses on general work force in quantitative term. 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.

The relevance of the theory to this study is that it considered the cost of education, training, development and even workers' medical treatment as investments towards improved productivity of individual workers and also creates a sort of competitive advantage which ultimately could result in improved organizations' performance. Thus, if these are investments like other physical assets which are reflected on the statement of financial position, considerable effort must be made to also reflect such value of human capital on the statement of financial position. This theory is relevant to this study since it serves as an anchor to human resource accounting which is one of the key variables in the reviewed topic by throwing more light on the importance of human capital to firm's performance.

3. Methodology

This study adopted the ex-post facto research design to examine the relationship between the dependent and the independent variables. This research design is selected because the study intends to find out how significant human resource accounting relates with the firm financial performance of firms under investigation. The population for the purpose of this study consists of all Deposit Money Banks listed on the Nigerian Stock Exchange. As at 31st December 2022, there were 15 Deposit Money Banks listed on the Nigerian Stock Exchange. The study is focused on Deposit Money Banks because the sector is service oriented and makes high use of human resources and is susceptible to releasing information on the use of this resource.

The sample of this study consists of 14 deposit money Banks whose financial statement were available during the period of the study (2018-2022). The secondary source of data for the companies under investigation was obtained from the published annual reports of the companies from 2018-2022.The independent variables are the staff remuneration, cost of staff training, cost of health care and safety while the dependent variable is the earnings per share.

Table 1: Measurement of Variables

Symbols	Variable name	Variable type	Measurement	Sources
EPS	Earnings per share	Dependent	Market value/total assets	Ajayi and Adegbite (2022); Akinjare et al (2019)
SRM	Staff Remuneration	Independent	Total amount of salaries paid to staff	Ndum and Oranefo (2021); Ajayi and Adegbite (2022);
CST	Cost of staff training	Independent	Total cost involved in training of staff	Olaoye and Afolalu (2020) Olayinka and Adegbie (2020)
HCS	Health care and Safety	Independent	Cost of health care	Olaoye and Afolalu (2020); Olayinka and Adegbie (2020)

Source: Author's compilation 2024.

Model Specification

The model for the study is depicted, thus.

$EPS_{it} = \beta_{01} + \beta_1 SRM_{it} + \beta_2 CST_{it} + \beta_3 HCS_{it} + e_{it}$ ………………………………………………………………….. (1)

Where:

EPS = Earnings per share
SRM = staff remuneration
CST = cost of staff training
HCS = cost of health care and safety of staff

e = Error term
i = company
t = time
β_0 = Intercept
β_1- β_3 = coefficient of the independent variables.

The study used descriptive statistics, correlation and panel data analysis as the techniques for data analysis. The Hausman test was used to find out if the fixed effects, random effects, or pooling model was better suited for the study The E-view statistical software 9.0 version was used in data analysis.

4. Results and Discussion

Descriptive Statistics

Table 2: Summary of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min.	Max.
EPS	70	1.30	0.19	1.02	1.79
SRM	70	6.37	1.57	2.62	9.89
HCS	70	4.68	3.49	6.19	9.52
CST	70	6.59	1.49	3.43	9.96

Source: SPSS output (2024).

The results from the descriptive statistics show a total of 70 observations because the panel study was done using 14 sampled Deposit Money Banks for a period of 5 years. Earnings per share (EPS) have a mean of 1.30 with a variability of 0.19. The maximum and minimum values of EPS are 1.79 and1.02 respectively. SRM has a mean of 6.37 with a standard deviation of 1.57 and a maximum and minimum of 9.89 and 2.62 respectively. In addition, HCS has a mean of 4.68 with a standard deviation of 3.49 and a minimum and maximum of 6.19 and 9.52. Furthermore; CST has a mean of 6.59 and standard deviation of 1.49 with a maximum and minimum of 1.96 and 3.43 respectively. This implies that staff remuneration, cost of staff training, cost of health care and safety of staff have normally distributed.

Correlation Results

The correlation test was also carried out to ascertain the strength of the relationship between the independent variables.

Table 3: Correlation statistics

Constructs	EPS	SRM	HCS	CST
EPS	1.0000			
SRM	0.2654	1.0000		
HCS	-0.6008	-0.0460	1.0000	
CST	0.5176	-0.0998	0.0556	1.0000

Source: SPSS output (2024).

From table 3 above, the value of correlation among the predictor variables is relatively low. This connotes that the independent variables are related in such a way that their individual effect on the outcome variables can clearly be distinguished.

Regression Analysis

Table 4. Panel Regression Result

Variable	Coef.	T	P>/t/
SRM	-5.19	-0.38	0.708
HCS	8.10	1.25	0.216
CST	2.94	2.01	0.049
F stat			54.030
R-squared			0.9809
Hausman Test = 11.040			p-value = 0.0000

Source: SPSS output (2024).

Test of Hypotheses

H1 states that “staff remuneration has no significant effect on financial performance of deposit money banks in Nigeria”. The results presented in table 4, staff remuneration has a calculated t-test value of -0.38 while the critical t-test reflect a value of ±1.96 which lies within the region of acceptance. The study therefore accepts the null hypothesis and concludes that staff remuneration has no significant effect on financial performance of deposit money banks in Nigeria.

H2 states that “there is no significant relationship between costs of staff training and financial performance of deposit money banks in Nigeria”. The results presented in table 4, also reveals that staff trainings have a calculated t-test value of 2.01 while the critical t-test reflect a value of ±1.96 which lies outside the region of acceptance. The study therefore rejects the null hypothesis and concludes that there is a significant relationship between costs of staff training and financial performance of deposit money banks in Nigeria

According to H3, “there is no significant relationship between costs of health care and financial performance of deposit money banks in Nigeria”. Findings from table 4 reveals that cost of health care has a calculated t-test value of 1.25 while the critical t-test reflect a value of ±1.96 which lies within the region of acceptance. The study therefore accepts the null hypothesis and concludes that there is no significant relationship between costs of health care and financial performance of deposit money banks in Nigeria.

Discussion of Findings

Contrary to the a priori expectation that SRM would have a positive and significant effect of firm financial performance, the result indicates that SRM has a negative (-5.19) and insignificant (0.708) effect on financial performance of deposit money banks. Finding of staff remuneration is in line with the findings of studies conducted by Ndum and Oranefo (2021); Ajayi and Adegbite (2022); Micah, Ofurum and Ihendinihu (2012) who also found insignificant effect between SRM and firm financial performance. The insignificant nature of staff remuneration with firm financial performance could mean that the changes in staff remuneration may not increase financial performance of deposit money banks.

In line with the a priori expectation, the cost of staff training has positive and significant relationship with financial performance of deposit money banks. The empirical analysis indicates that a unit increase in staff training cost may significantly increase the financial performance of deposit money banks by 2.94 units (Ofurum & Adeola, 2018; Surarchith & Krishina, 2018; Akinjare et al., 2018). The student T-value of the results is 2.01 which is greater than the tabulated T- value of ±1.98. This leads to the rejection of the null hypothesis and acceptance of the alternative hypothesis that CST has significant effect on the financial performance of deposit money banks. The findings of this result are consistent with the findings of Ofurum and Adeola (2015) that the positive association between the variables could possibly be because the result achieved from the training outweighs the cost of the training.

Contrary to the stated hypothesis, HCS has a positive (8.10) and insignificant (0.216) relationship with financial performance of deposit money banks. the result further shows that the T-value calculates as the student T test value was 1.25 which falls within the region of non- rejection of the null hypothesis of ± 1.96. The study accepts the null hypotheses that HCS has no significant effect on financial performance of deposit money banks. The same result found by this study was earlier found by Omodero and Ihandinihu (2017) that the insignificant nature of the cost of health care services of staff on performance could exist because; most of the staff are now engaged in one form of health insurance scheme and the other so the burden of health care cost is not heavy on the employer again.

5. Conclusion and Recommendations

Based on the summary of findings in this study, the study concluded that staff remuneration and cost of health care and safety do not significantly affect financial performance of deposit money banks while cost of staff training significantly affect financial performance of deposit money banks. It has been recommended that:

i. Staff remuneration should be improved so that staff can put in their best in other to achieve better performance.
ii. The cost of health care of staff should be reduced and maintained at a minimal level so that performance would be enhanced.
iii. The cost of staff training should be maintained or increased since training must be adequate for staff to acquire skills and the knowledge to move performance to higher heights.

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