HUMAN RESOURCE ACCOUNTING AND FINANCIAL PERFORMANCE OF QUOTED DEPOSIT MONEY BANKS

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ABSTRACT
The paper examined the effect of human resource accounting) and on the financial performance of Deposit Money Banks (DMBs)in Nigeria. Other objectives of the study were to determine the influence of HRA on capital employed and to appraise the influence of HRA on return on capital employed. Secondary source of data was adopted for this study and ten quoted deposit money banks were selected through random sampling technique while the data were analyzed using regression analytical method. It was found out that salaries and wages, training, health and safety had significant positive influence on capital employed of deposit money banks in Nigeria and salaries and wages, training, health and safety had significant positive influence on return on capital employed. This study therefore concluded that human resource accounting improved financial performance of deposit money banks. The study suggested for the management of deposit money banks to improve the general welfare of their employees through improved salaries and wages, better training and enhanced health and safety in order to improve their financial performance.

Introduction

Most organizations all over the world strive hard to improve their performance in order to keep their going concern status intact, ensure stability, growth and expansion. Performance shows the health of any business enterprises (Adegbayibi, Oyedokun and Adedokun, 2024). It shows whether such enterprise is doing well or bad. It shows the level of progress made by entity throughout its existence. Performance of any organizations, including banking firms, could be measured using the non-financial metrics such as: customer satisfactions, customer loyalty, customer retention, and market share and financial metrics such as: return on asset (ROA), return on equity (ROE), net profit margin (NIM) (Odewusi and Olalere, 2024).

Deposit Money Banks (DMBs) are witnessing series of complaints on the part of their employees arising from poor motivation to work occasioned by inadequate remunerations in recent times. This has led to series of problems in these banks which invariably may be responsible performance issues in these banks. DMBs in Nigeria are facing poor performance due to massive labour turnover among these banks and which had made most of these banks to engage the services of casual labour to be able

to meet their customer demands (Ogunbiyi-Davies, Alao, Aremu and Olalere, 2023).

Most deposit money banks do not treat human resources as asset in the balance sheet, they only consider these resources as human elements and expenses which are only comprehensive income statement, hence, the neglect of employee needs and welfare by most banks in Nigeria (Omisope, Olalere, Odewusi, Adesina and Kolawole, 2023). This, to a large extent, may affect the financial performance. Human resource accounting may be measured by salary and wages cost, training cost, remuneration cost, development cost, health cost and safety cost. This study intends to use salary and wages, training, health and safety as measurement of human resource accounting.

Adequate and prompt payment of salaries and wages, timely training and improved health and safety of workers may improve the financial performance of DMBs in Nigeria. This fact has not been well established in Nigerian literature.

Objectives of the Study

The aim of this study is to examine the effect of human resource accounting on the financial performance of quoted deposit money banks while the specific objectives are to:

i. determine the influence of human resource accounting on capital employed of DMBs in Nigeria; and

ii. appraise the influence of human resource accounting on return on capital employed of DMBs in Nigeria.

Hypotheses

This study intends to analyze the following two null hypotheses:

H_{01}: HRA does not have significant influence on capital employed of DMBs in Nigeria.

H_{02}: HRA does not have significant influence on return on capital employed of DMBs in Nigeria.

Literature Review

Conceptual Review

Human Resources Accounting (HRA)

There are different definitions of Human Resource Accounting as well as human resources and accounting practitioners and scholars. Hence, HRA does not have a unique definition due to the fact that different scholars and practitioners describe the concept on the basis of their understanding. For instance, HRA is described by Sari, Yani and Pradhani (2023) as the art of assigning and attributing costs to every element of human resources expenses made in an organization and recording such into appropriate books of account of the enterprise. Adegbayibi, Akinyemi and Adepiti (2024) describes HRA is entails ascribing, making budget for and adequate reporting of expenditures incurred on workers in an organization.

Salary and Wages

Salaries and wages are components of remunerations paid to workers in any organization. It is the compensation given to organizational people for providing their mental and physical efforts and skills to the organization for productive purposes (Odewusi and Olalere, 2024). Salaries is fixed amount given to workers on a monthly basis as compensation for their services. This amount is usually paid to permanent workers and professional workers in any business entity. However, organizations may have temporal or contract staff, this set of workers are usually paid daily or weekly stipends called wages.

Training

Training refers to a form of education given to workers to improve their skills and knowledge for better functioning in their new jobs. It is carried out by most organizations to upgrade the skills of workers in any organization for better performance and productivity. It is usually given to workers who do not have deep knowledge of what is expected of them in their new role. It is also geared to provide information and directions to workers on how they could function very well on their job (Adu and Oke-Potefa, 2024).

Health and Safety

Health and safety measures put in place to enhance the general wellness of workers in any organization. Seeing to workers health ensures constant operations as lack of attention to workers health could slow down productivity.

Also, there are bound to be accidents in workplaces and putting adequate measures in place to avoid such accidents is safety Okpako,.Atube, and Olufawoye,2019). Hence, health and safety are measures put in place by organizations to enhance proactive injury avoidance and improve employees' health.

Financial Performance

Performance is the outcome of business operations and this could be either measured in financial and non-financial terms. Since this study is concerned about financial measures, focus is placed on financial performance. Financial performance is a series of financial and non-financial measures of organizational outcome that provide information on the attainment of organizational goals and results. Financial performance is an important factor used to measure the wellness or otherwise of business entity. It is the degree of success achieved by an organization or the extent to which a firm achieves its objective in terms of revenue, profitability, capital adequacy, liquidity, stock prices, and efficiency (Adu and Ajigbotoso, 2024).

Capital Employed

It is the amount of money available to firms to run business operations for profit generation purpose. Capital employed is commonly used to determine the rate of profitability of business enterprise and efficiency at which businesses utilized their capital. Capital employed tells the amount of money a business entity has put into use for investment purpose. It is the excess of total asset over current liabilities and it is computed by adding non-current asset to current asset and subtracting current liabilities (Odewusi and Olalere, 2024).

Return on Capital Employed

Return on Capital Employed (ROCE) is one of the accounting ratios used to determine the profitability of business entity. It is mostly used to determine the profitability and how efficient a firm is utilizing its capital. It is the ratio of earnings before interest and tax to the capital employed of such firm. It allows the firm to understand how well it is making profit from its net worth as being used in production process (Adu and Majeobaje, 2024).

Methodology

The population of this study included all the twenty-two (22) DMBs quoted on the NGX. Ten (10) DMBs, representing 45.5% of the total population figure, were sampled using random sampling technique conducted through balloting. Panel data on salary and wages cost, training cost, health and safety cost, capital employed and return on capital employed computed from the annual accounts of the sampled DBMs quoted on the NGX from 2002-2023. In order to achieve the objectives guiding this study, two models were developed in line with the assumption of Human Capital Theory propounded by Schultz (1961)

Model 1

$CE_{it} = f(SWC_{it}, TC_{it}, HSC_{it})$

(1)

$$CE_{it} = \beta_0 + \beta_1 SWC_{it} + \beta_2 TC_{it} + \beta_3 HSC_{it} + \mu_i \quad (2)$$

Model 2

$ROCE_{it} = f(SWC_{it}, TC_{it}, HSC_{it})$ (3)

$$ROCE_{it} = \beta_0 + \beta_1 SWC_{it} + \beta_2 TC_{it} + \beta_3 HSC_{it} + \mu_i \quad (4)$$

Table 1: Description and Measurement of Variables

S/N	Variables	Description	Measurement	Sources
1	CE	Capital Employed: This is the excess of total asset over current liabilities	CE = Non-current asset + current asset – Current liabilities	Omisope *et al.* (2023)

2	ROCE	Return on Capital Employed: This is the ratio of earnings before interest to capital employed	ROCE = EBIT / Capital Employed	Ogunbiyi-Davies *et al.* (2023)
3	SWC	Salaries and Wages: This is aggregate amount expended on salaries and wages	SWC = Salaries + Wages	Ogunbiyi-Davies *et al.* (2023)
4	TC	Training Cost: This is the aggregate money spent on workers training.	TC = Total Workers' Training	Alao. Oyegoke, Olalere and Ogundajo (2023)
5	HSC	HSC: This is the total money expended on the health and safety of workers	HSC = Total Health and Safety Cost	Alao *et al.* (2024)

Source: Author's Compilation (2024)

Data were analysed using Panel (OLS) regression conducted through Econometric-view (E-view) version 17 at 5% level of significance.

Data Analyses, Results and Discussion

Results

Table 2: Panel Regression Results on the influence of Independent Variables on Dependent

Variable	Model 1: CE	Model 2: ROCE
C	0.191 (0.142)	0.096 (0.067)
Log (SWC)	4.920 (0.002)	7.622 (0.005)
Log (TC)	-0.128 (0.051)	-0.157 (0.007)
Log (HSC)	-0.291 (0.002)	-0.432 (0.521)
F-Statistics (Wald Statistics)	33.471 (0.005)	13.781 (0.001)
R-Squared	0.233	0.429
VIF Test		
Heteroscedasticity Test		

Source: Author's Computation (2024)

Model I

$LogCE_{it} = 0.191 + 4.920\ LogSWC_{it} - 0.128\ LogTC_{it} - 0.291\ LogHSC_{it}$

The result in Table 2 showed that SWC had positive effect on CE (β = 4.920). The p-value of SWC was 0.002 which was less than 0.05 level of significant at which the model was run. This indicated that SWC had significant positive effect on CE. Hence, this study found that salary and wages (SWC) was a potent determinant of capital employed. Likewise, there was negative relationship between TC and CE (β = -0.128). The p-value of TC was 0.051 which was higher than the 5% significant level at which the model was run. The result therefore indicated that training cost had insignificant negative effect on capital employed. Hence, training cost was not a potent determinant of capital employed.

More so, the result indicated that there was negative association between HSC and CE (β = -0.291). HSC had a p-value of 0.002 which was greater than the significance value of 5% at which the model was run. The R-square value of 23.3% showed that SWC, TC and HSC had weak positive association with CE and the F-statistics of 33.471 with significance value of 0.001 indicated that SWC, TC and HSC had combined effect on CE. On this note, result showed that salary and wages cost, training cost and health and safety cost had significant impact on capital employed.

Model II

$ROCE_{it}$ = 0.096 + 7.622 $LogSWC_{it}$ – 0.157$LogTC_{it}$ –0.432 $LogHSC_{it}$

Table 2 revealed that there was positive relationship between SWC and ROCE (β = 7.622). SWC had significance value of 0.005 which indicated that SWC had significant effect on significant influence on ROCE, implying that salary and wages cost had significant influence on return on capital employed. Also, there was indirect relationship between TC and ROCE (β = -0.157) with significance value of 0.007 indicating significant influence of TC on ROCE. So, training cost had significant negative influence on return on capital employed of deposit money banks in Nigeria. More so, there was negative association between HSC and ROCE (β = -0.432) with significance value of 0.521, suggesting a significant negative influence of health and safety cost on return on investment of deposit money banks in Nigeria. Likewise, the R-square value of 0.429 indicated that SWC, TC and HSC jointly accounted for 42.9% variation in the ROCE. The F-ratio of 13.781 with significance value of 0.001 showed that SWC, TC and HSC had significant combine effect on ROCE.

Discussion

The result from the analysis of the objective one showed that salary and wages cost, training cost and health and safety cost had significant influence on capital employed. Analysis of the objective two suggested that salary and wages cost, training cost, health and safety cost had significant effect on return on capital employed.

Conclusion and Recommendations

Conclusion

Arising from the findings of this study, it was concluded that salary and wages cost, training cost, health and safety cost had significant impact on capital employed. Likewise, the result revealed that significant positive relationship was found between salary and wages cost and return on capital employed. This implied that salary and wages cost improved return on capital employed, by extension, the lower the salary and wages paid to workers in DBMs, the lower the return on employed while an increased salary and wages would lead to increase return on capital employed.

Recommendations

It was recommended by the study that the management of deposit money banks to improve the general welfare of their employees through improved salaries and wages, better training and enhanced health and safety in order to improve their financial performance.

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