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Organizational Performance And Growth: The Mediating Role Of Human Asset Accounting In Nigeria Banking Industry

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ABSTRACT:- Human effort is a critical major factor in the performance and growth of organisations. Tools such as machines, materials and money cannot be meaningful without being driven by human. Human elements however, are not documented in balance sheets of organisations like physical and intangible assets, which would lead to the understatement of true organisations' performances. This study therefore examined the mediating role of human asset accounting on organizational performance and growth in Nigeria banking industry. Survey and ex-post facto research designs were adopted. The population consisted of the management staff of eighteen quoted banks in Nigeria. 238 management staff were selected from Head Offices' human resources, accounts and audit/internal control departments of the banks adopting convenience sampling method. The study revealed that, organisational growth human asset is significant with R^2=0.203; P=0.000, while a highly significant effect on other users of financial statements at R^2=0.414,P=0.000 was found. In conclusion, non-recognition of human asset significantly affected the presentation of organisations' performances. The study recommends the adoption of the practice of human asset accounting for Nigerian banks and other business organisations.

Keywords*: Human Asset-Accounting, Nigerian Banks, Performance, Growth*

I. INTRODUCTION

Manpower is considered a germane resource to the survival and success of any organisation thus, they are considered as valuable assets to organisation. According to Olaniyan and Lukas(2008) Human resources, are the most valuable assets of any organisation, with the machines, materials and even the money, nothing gets done without man-power. With this statement one can rightly say that without the human element as part of business organisations there is neither business nor organisation. Akintoye and Adidu (2008) also supported the above statement by confirming that human resources are key factors in the determination of any measureable growth of any nation. With this consideration of Human resource as an important asset critical to the survival and success of organisation, studies had been conducted by researchers on the need to treat certain expenditures on human resources as investment or asset which ultimately appears on the balance sheet against the current accounting practice that writes off every expenditure on human resources, thus the emergence of the new term "Human Asset Accounting or (HAA) Human Resources Accounting (HRA)" According to Akter and Parvin (2012), the American Accounting Association in 1970 defined human resources accounting as a process of identifying and measuring data about human resources and communicating this information to interested parties. This definition agreed with that of Sharma and Shukla (2010) who defined Human resource accounting (HRA) as the process of identifying and measuring data about human resource. This simply means human resources accounting is the process of identifying and quantifying the worth of intellectual part of human beings which must have been shaped through series of education, training, re-training and development. Thus human resources accounting therefore provides information about the value of human assets which aids the top managers in making decisions regarding the adequacy of the organisations' human assets.

Narayan (2010) affirmed that human resources accounting was pioneered by the public sector companies like Bharat Heavy Electrical Ltd. (BHEL) and the Steel Authority of India (SAIL) way back in the 1970s. However the concept did not gain much popularity and acceptance at that time. In Nigeria the concept is not also popular. Human resources accounting allows cost to be assigned to every employee when recruited, and helps to determine the value of such employee in future. Thus it allows the financial statements to reflect the potential of human resources of an organisation in monetary terms.

The various definitions of human asset accounting and literature revealed that the practice of human resource accounting enables organisations to determine the value of its human resources and changes in their value over time in terms of appreciation, or depletion which is a very useful information for management decision making. Thus it is an important issue for Nigerian organisation to consider because if they adopt this concept, they will be able to value their human asset at any given time in order to enhance the quality of their management decisions which may ultimately affect organisations performance with reference to banking industry.

II. EMPIRICAL STUDIES

All over the world today, intellectual capital has been proved to be significant to the development of modern knowledge economy, while human resources accounting is about measuring and accounting for the intellectual asset of people in organisation. Ahangar (2011) in his study revealed that Human Capital Efficiency (HCE), Physical Capital Efficiency (CEE) and Assets turnover Ratio (ATO) significantly influence the company performance as measured by growth in sales. It also confirmed that Human Capital is more efficient than structural capital in terms of value creation efficiency. In a study conducted in quoted companies in Bangladeshi by Al Mamun (2009) cited in Enyi and Adebawojo (2015), it was found that a relationship exist between the Human Resources Accounting Information (HRAI) and the size of the organization. It was further reported by the same study that larger companies with higher market value disclose more HRA information than the smaller companies due to a significant relationship that exist between company size and Human Resources Accounting information (HRAI).

Ahangar (2011) reported that human capital contributes significantly to performance which can be measured in terms of growth. According to him Human Capital Efficiency (HCE), Physical Capital Efficiency (PCE), and Asset Turnover Ratio (ATO) significantly influence the company performance as measured by growth and further confirmed that human capital is more efficient than the structural capital. Thus this implied that human asset is a core factor that affects organisational growth. Abubakar (2007) found that the volume of investments on human resources usually made by corporate entities and the impact of such investments on the productivity level of the human resource justify their treatment and recognition as assets rather than expenses. He further added that the arrangements against the concept of Human Asset Accounting (HAA) and its application are issue that can be significantly resolved. Wagner (2007) affirmed that human capital (People and Team) is one of the intangible assets that investors look for in valuing a company, along with structural capital which are process, information system, patents and relational capital which are linked with customers, suppliers, and other stakeholders. Fariborz and Raiasheka (2011) posited that lack of human resource accounting (HRA) disclosure in financial statements will lead to obliquity of users. They further explained that HRA information in financial statement has incremental impact on individuals' decisions-making process in order to stock investment statistically. The findings of Perera (2012) on the impact of measuring and eporting human resources on investment decisions in Sri Lanka established the fact that there is a significant relationship between measuring and reporting human resources and corporate investors stock acquisition decisions and disposal decisions. Also, Micha, Ofurum and Ihendinihu (2012) in their established a positive correlation between Return on Equity and Human Resource Accounting Disclosure. According to them, this positive correlation supposes that an increase in return on equity encourages firm in reporting human capital information so as to establish trustworthiness with stake holders, enhance external reputation, appear legitimate in the public eyes and avoid cost for non legitimacy. They concluded that human resource accounting information of an organisation is very important factor for decision makers in era of knowledge based economy.

In Asia, Fariborz and Raiasheka (2011) in their study conducted on Iranian companies concluded that lack of Human Resources Accounting (HRA) disclosures in financial statements will lead to obliquity of users. According to them, the study results show that the use of HRA information in financial statement has incremental impact on individuals' decision -making process in order to stock investment statistically. Their result also revealed that HRA information can play a critical role in internal managerial decision making and its measures can be used to show that investment in company's human resources may result in long-term profit for the company.

Hypotheses

1. Application of human asset accounting will not significantly affect organisation growth.
2. Application of human asset accounting will not significantly influence decisions of users of financial statement like Management, Investors, Government, and even employees.

III. METHODOLOGY

Research Design: This study which is an empirical research focused on the effect of application of Human Asset Accounting on the performance of business organisation. Both the Ex-post facto and Survey design were adopted in this study because the data for the study involved primary data and the secondary data which were facts obtained from the operating activities of the banks as presented in their various published financial statement from 2007-2011 which cannot be controlled or influenced by the researcher.

Population of the Study: The population of this study consisted of all the management staff of the quoted banks in the Nigerian banking industry. The banking industry was chosen as the preferred area of study because of its importance to the economic growth and development of the country and also because of the dependability of banks on intellectual capital of workers to market or canvass for deposit, conduct good credit risk appraisals and investment analysis which are core functions in banking business.

Sample and Sampling Method: The sample frame for this study consists of 238 respondents drawn from all the Nigerian quoted banks which were 18 in number using convenience sampling method. The contact persons in these banks were the management staff in the Human Resource Departments, Audit Departments and the Finance Departments of each of these banks. Convenience sampling method was used based on the judgment of the contact persons and also to allow easy access to the respondents based on the fact that information is highly managed by the bankers.

Research Instrument: The research instruments for this study comprised of the Published Financial Statement of the selected banks that are quoted on the Nigeria Stock Exchange market for a period of five years. These sets of financial statements were used to simulate another set of financial statements through the application of the investment approach of Human Resource Accounting treatment of the recruitment, training and development costs of employees in the organisations for the same period of five years. The reason for simulation is that there was no record of organisation practicing human asset accounting in Nigeria. The questionnaire comprising positive statements designed on six steps Likert scale ranging from "Strongly Agree", "Agree", "Partially Agree", "Disagree" Partially Disagree to "Strongly Disagree" was also used as instrument of data collection.

Method of Data Analysis: Inferential Statistics of Multiple Regression Analysis with the aid of Statistical Package for Social Science (SPSS) was used.

IV. RESULTS AND DISCUSSIONS

Hypothesis One: Application of human asset accounting will not significantly affect organisation growth in terms of turnover, assets base, and profits.

Table 1: Effect of Application of Human Asset Accounting on Organisational Growth in Terms of Turnover, Asset Base, and Profit.

Model	**Sum of Squares**	**DF**	**Mean Square (MS)**	**F-Ratio**	**Sig.**	**R^2**	**Adjusted R Square**
Regression	104.282	1	104.282	60.193	0.000	0.203	0.200
Residual	408.861	236	1.732				
TOTAL	513.143	237					

Source: Researcher's Result

$y = a + bx$

Where y = Organisation Growth

x = Human asset

a = constant

Table 1 reveals that the effect of human asset on organisational growth in terms of turnover, asset base, and Profit is significant at F–ratio = 60.193, P = 0.000, $R^2 = 0.203$. While the adjusted $R^2 = 0.200$. Since P value is < 0.005 which means that human asset has a significant effect on organisational growth, then the null hypothesis for this study was rejected while the alternative hypothesis was accepted. The R^2 value shows the rate of changes in organisational growth that was accounted for by human asset. Thus, the result indicated that a change in the human asset will accounted for at least 20% change in organisation growth which is a significant change.

Table 2: Parameter of Estimate of the contribution of the Human Asset to Organisational Growth.

Model	**Un-standardized coefficients**		**Standardized coefficients**	**T**	**Sig.**
	B	Standard Error (SE)	Beta		
Constant	3.189	0.864		3.692	0.000
Human Asset	0.100	0.013	0.451	7.758	0.000

Source: Researcher's Result

The Table 2 shows that the β value of human asset which is the independent variable is 0.100, at $P < 0.000$. The indication of this is that human asset has a significant contribution to organisational growth. Thus, the regression model above can be restated by substituting the "a" and "b" value in the model as follows:

a + y = 3.189+0.100x The findings above is supported by the findings of Chaturvedi (2013) in the study carried out on SAIL a Maharatna company which is largest steel producing company in India, on the effect of Human Resource Accounting on organisational growth. Chaturvedi in his investigations established that the rising revenue factor which is an indication of growth in revenue is due to the contributions of the human asset. He precisely state that the rising in revenue factor is due to the fact that SAIL considers its human resources as its most valuable asset and has been continuously investing in this asset through systematic and well planned programmes to make it current with latest technologies and process. He further noted that the income factor shows ups and downs during the period of study which adversely affected profit however according to him this adverse impact on profitability was partially offset by management initiatives such as higher volume of saleable steel production, increase in net sales realization of saleable steel , better product mix and higher added steel production. Thus implication of this is that the contribution of human asset in this company due to relevant training and development accorded them resulted in a significant growth in terms of turnover and profit of the company which also corroborate the finding in this study.

Also Ahangar (2011) supported the above fact by identifying that human capital contributes significantly to performance which can be measured in terms of growth. According to him Human Capital Efficiency (HCE), Physical Capital Efficiency (PCE), and Asset Turnover Ratio (ATO) significantly influence the company performance as measured by growth and further confirmed that human capital is more efficient than the structural capital. Thus this implied that human asset is a core factor that affects organisational growth. This was why Olaniyan and Lucas (2008) commented that, with machines, materials and monies nothing gets done without manpower. Thus every organisation must endeavour to enhance the quality of their human resources through continuous quality training and development programmes in order to ensure quality positive contributions of their human resources towards their growth and developments.

The truth is that when an organisation sends or engaged employees in training and development, such gesture is to enhance the performance of such employees to make them contribute positively towards the corporate growth and development. The benefits accruing to the organisation from the outcome of such training and development would not expire within one year if the content of such training and development is adequate. Thus this justifies why training and development related cost should not be expenses but rather capitalized as part of the cost of the intangible asset to the organisation. This is supported by Abubakar (2007) stating that, the volume of investments on human resources usually made by corporate entities and the impact of such investments on the productivity level of the human resource justify their treatment and recognition as assets rather than expenses. He further added that the arrangements against the concept of Human Asset Accounting (HAA) and its application are issue that can be significantly resolved.

Research Hypothesis Two: Application of human asset accounting will not significantly influence decisions of users of financial statement like Management, Investors, Government, and even employees.

In order to test this hypothesis, the tables 3 and 4 below were used with the use of a simple regression analysis as shown below:

Regression Model is y = a + bx

Where y = Users of Financial Statement

a= Constant

x = Human Asset

Table 3: Effect of Application of Human Asset Accounting on the Decisions of Users of Financial Statement; Like Investors, Government and Employees.

Model	Sum of squares	Df	Mean square	F- ratio	Sig.	R^2	Adjusted R^2 square
Regression	347.438	1	347.438	166.438	0.000		
Residual	492.259	236	2.086			0.414	0.411
TOTAL	839.697	237					

Source: Researcher's Result

The Table 3 reveals that Human Asset significantly influences decisions of users of financial statement at F-ratio equal 166.438, P = 0.000, R^2 = 0.414 while the adjusted R^2 = 0.411. Since the P value was less than 0.05 then the null hypothesis was rejected while the alternative hypothesis was accepted. The R^2 value indicated the rate at which the decisions that are made by the users of financial statement is influenced by a change in organisation human asset structure. Thus this result established that changes in human asset will influence the decision of users of financial statement by at least 41%.

Table 4: Parameters of Estimate of the Relative Contribution of Human Asset to the Decisions of the Users of Financial Statement.

Model	Un-standardized coefficients		Standardized coefficients	T	Sig.
	B	Standard Error (SE)	Beta		
Constant	2.963	948		3.127	0.002
Human Asset	0.183	0.14	643	12.906	0.000

Source: Researcher's Result

The table 4 indicates that the β value of human Asset which the independent variable is 0.183 at P<0.000. The indication of this is that, human asset has a significant contribution to the decisions made by the users of financial statements. Thus the regression model above can be restated by substituting the "a" and "b" values in the model as follows:

$y= 2.963 + 0.183x$

The submission of Wagner (2007) supports supported the above findings. He stated that human capital (People and Team) is one of the intangible assets that investors look for in valuing a company, along with structural capital which are process, information system, patents and relational capital which are linked with customers, suppliers, and other stakeholders. The implication of this is that human asset which intangible assets is an important item for consideration by investors and other users of financial statement in the valuation process of a company organisation. Thus without disclosure of the value of organisation human asset in the financial statement, the financial statement is incomplete. For users of financial statements be it Investors, Government, or Financial Analyst to make sound and rational decisions that can stand the test of time their judgment must be based on financial statement with full disclosure of information including information on human asset. This position is also supported by Fariborz and Raiasheka (2011) who stated that lack of human resource accounting (HRA) disclosure in financial statements will lead to obliquity of users. They further explained that HRA information in financial statement has incremental impact on individuals' decisions-making process in order to stock investment statistically. The findings of Perera (2012) on the impact of measuring and reporting human resources on investment decisions in Sri Lanka further supported the above fact by establishing that there is a significant relationship between measuring and reporting human resources and corporate investors stock acquisition decisions and disposal decisions. This is not surprising because the investors would like to know the qualities and capability of those who will be entrusted with the management of their fund or investment. This position is buttressed by the findings of Micha, Ofurum and Ihendinihu(2012) who established positive correlation between Return on Equity and Human Resource Accounting Disclosure. According to the them this positive correlation supposes that an increase in return on equity encourages firm in reporting human capital information so as to establish trustworthiness with stake holders, enhance external reputation, appear legitimate in the public eyes and avoid cost for non legitimacy. They concluded that human resource accounting information of an organisation is very important factor for decision makers in era of knowledge based economy.

V. CONCLUSION

Human asset account is not a new concept as established in the literature. It is not being applied as part of conventional accounting practice due to lack of standardized model for valuation of human asset. However, this study established that its application is important and that it significantly affects the outlook or the presentation of the organisational performance and growth. The management and other users of financial statement will also be influenced to make better decisions if human asset are valued and presented as part of the balance sheet.

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