

## Human Capital Accounting for Sustainable Performance of the Financial Sector Businesses in Nigeria



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**ABSTRACT:** The study investigated on Human Capital Accounting for sustainable performance of the financial sector businesses in Nigeria for the period 2008 -2021. Human Capital Accounting was proxied by staff development cost and training while sustainable financial performance was proxied by return on assets and return on equity. The financial sector used were four banks whose financial statements were accessible online for the period of investigation. Secondary data was used and accessed from online publication of the four sampled banks. Model relation between staff and development cost, return on equity and return on asset was developed with the objective to determine the effect of staff and development cost on banks return on asset and return on equity. Data collected were analyzed with Ordinary Least Square regression model with analytical tool of E-view 10. Results showed that staff and development cost of banks has insignificant effect on their return on assets and return on equity. The research recommends that for banks to successfully address the challenges of sustainable performance, there must be a paradigm shift to improvement in human capital accounting for sustainable performance of the banking sector.

### 1.0 INTRODUCTION

Accounting play crucial role in providing information for making economic and financial decisions. These decisions are an important element of an organization. According to Joseph and Slof (2003) accounting information is generally believed to be useful for decision making and information generation can tell the value placement of an organization. Human capital accounting information is a primary information system which informs the management about changes that have taken place in it human resource. Human capital is the value of represented skills and experience of employee, when properly employed it leads to increase in organizational performance. To Amadi and Alolote (2019) human capital development is a necessity for national development. Organization's competitive success is achieved through people (Pfeiffer, 2004). Human capital development is a vital component for achieving internationally agreed sustainable development goals, including the Millennium Development Goals, and for expanding opportunities to all people, particularly the most vulnerable groups and individuals in society (United Nations, 2011). It is therefore necessary for the skills and performance of employees to be developed.

Kenton (2020) observes that human capital concept recognizes that employers can improve the quality of their workforce by investing in employees education, experience and abilities which have economic value for employers and for the economy as a whole. Human capital is an intangible asset, it is classified as the economic value of worker's experience and skills and include intangible assets like education, training, intelligence, skills, health of the workforce. Human capital is an invisible asset of an entity, according to Yusuf (2013) in Azlina, Ruhaya and Amrizah (2017) it is a broad concept that encompasses many components but essentially describing the quality of the labor force.

Human capital accounting is an extension of the accounting principle of matching cost and revenue, it entails organizing human resource data and communicating it in financial terms to interested parties for decision making. It provides financial information on employee development and welfare for management decision purposes. The concept of human capital recognizes that employers can improve the quality of their labour force by investing in employees education, experience, and abilities. Human capital is typically managed by an organization's human resource or personnel department. The department oversees workforce acquisition, management, planning, recruitment, training, development, reporting and analytics. Human capital accounting information on staff on training and development cost, in-house training programmes, external training programmes, staff gifts and awards are paramount for any emerging private business organization for financial decision on staff

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capacity building. The role of human capital accounting development in small-scale business organizations for improving efficiency and knowledge cannot be overstated.

Anthony (2022) stated that the Nigerian banking industry progressively contributed some N168.4trillion to the country's Gross Domestic Product (GDP) between 2017 and 2020, indicating an incredible resilience and growth, despite two difficult recessions. According to him the sector contributed about N34.6 trillion to the country's GDP in 2017; N37.8 trillion in 2018; N42.7 trillion in 2019; and N53.3 trillion in 2020, a feat enabled majorly by the outstanding professionalism in the industry, according to Vice President, Yemi Osinbajo speaking at the official opening of the Chartered Institute of Bankers of Nigeria, Bankers House Abuja and the Alliance of African Institute of Bankers (AAIOB) permanent secretariat stated that "the Nigerian spirit remains unfazed and persistently bankable, despite several years of some of the most severe macroeconomic challenges, including the 2008 financial crisis, the oil crises that followed, and an unexpected pandemic" (Anthony 2022).

Private sector increasingly plays an important role as an engine of economic growth and job creation. It provides goods and services, generates tax revenues to finance essential social and economic infrastructure, develops new and innovative solutions that help tackle development challenges and it is a central actor in addressing climate change. The role that the private sector plays in development is also broadening from the conventional approach of supporting the economic development to more inclusive and elaborated public private partnerships. As such, the private sector has become an important strategic partner for UNDP in achieving its vision to help countries eradicate poverty and reduce inequalities and exclusion within broader sustainable development (Business4Goals.com 2022)..

### Statement of the Problem

Notably, the private sector businesses faces serious challenges emanating from poor administration, poor human capital development, poor quality delivery and low productivity which retards its stability and development. The Nigerian banking sector is not left out, they face increased pressure and challenges on development of the human capital. This is blamed on its management insensitivity to relevance of human capital development for its sustainability performance.

### Objectives of the Study

The study aim to evaluate effect of human capital accounting on sustainable performance of the financial sector businesses in Nigeria Specifically the study will evaluate whether:

1. Staff training and development affect return on assets of the Nigerian banks
2. Staff training and development affect return on equity of the Nigerian banks

### Research Questions

1. To what extent does staff training and development affect return on assets of the Nigerian banks ?
2. To what extent does staff training and development affect return on equity of the Nigerian banks ?

### Research Hypotheses

- Ho<sub>1</sub> Staff training and development has no significant effect on return on assets of the Nigerian banks.  
Ho<sub>2</sub> Staff training and development has no significant effect on return on equity of the Nigerian banks.

## 2.0 LITERATURE REVIEW

### Concept of Human Capital Accounting

Human capital accounting is an extension of the accounting principle of matching cost and revenue, it entails organizing human resource data and communicating it in financial terms to interested parties for decision making. It is the act of valuing, recording and presenting systematically the cost of value of human resources in books of accounts of an organization. Human capital is important because it is perceived to increase productivity and thus profitability. So the more a company invests in its employees, the more productive and profitable it could be. Investment in human capital are charged to expense in the period in which it incurred. Thus it is a primary information system which informs the management about changes that have taken place in it human resource. Human capital is the value of represented skills and experience of employee, when properly employed it leads to increase in organizational performance. A logical outcome of the human capital development concept emphasizes on employee training and development which is accomplished by formal education training and job rotation to help employee gain experience in different functional areas of the organization. Mubashuru, Muliu and Rasheed (2016) observes human capital development to increase revenue, skill and capabilities which are achieved through strategic and systematic ways of developing employees for onward transmission of the society. To Amadi and Alolote (2019) human capital development is a necessity for national development. In Nigeria, there is a growing concern by the public on the quality of territory education and the

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relevance of its curriculum to national development. In a bid to promote economic growth and development many countries put much effort towards development of their labor force in terms of education and health conditions.

Nwachukwu (2014) identified that education constitutes the very foundation of meaningful social-economic, political, growth and development of any nation. This posits that there is a grooming concern by the public on the quality of the labour force and its relevance to national development. Education at all levels is the threshold of a country's sustainable economic growth and development, it influences and moderates the level and dimensions of development in a nation. Human Capital Accounting (HCA) is described as the process of identifying, measuring and communicating information about human resources in order to facilitate effective management within an organization.

### An Overview of Staff Training and development

Eric (2018) noted that people are the product of life experiences, they grow up in a range of cultural influences. Human capital development ensures that employees adapt to changes in processes, technology, and societal or legal shifts. Training and development helps employees to update their skill. Staff Training and development is led by human resource and good policies can be very helpful in advancing the organization toward its long-term goals. Many organizations have pre-defined budgets for training and development. Individuals may arrive at a company with vastly different knowledge and experience. Training and development provides employees with a way in which to bridge skill gaps and develop into leaders. Based on accounting information on human capital development people's performance and potential ratings are accessed by managers, which engenders them to make strategic decisions on different development plans.

Okoroafor and Ajaero (2019) observed that Training is the process of enhancing the skills, competence and knowledge of employees for doing a particular job. Training leads to quality performance of employees. It is a continuous process. In training process the employee is developed.

Methods of Staff Training: According to Okoroafor and Ajaero (2019), training is generally conveyed in two ways:

1. On the Job Training: This is the type of training given to the employees within the everyday working. It is teaching the skills, knowledge, and competencies that are needed for employees to perform a specific job within the workplace and work environment. It is simple and cost-effective training method. Employees learn in an environment in which they will need to practice the knowledge and skills taught. On-the-job training uses the regular or existing workplace tools, machine, documents, equipment, knowledge, and skills necessary for an employee to learn to effectively perform his or her job. The employees undergo the training in actual working scenario.
- 2 Off the Job Training: Off the job training methods are those in which training is provided away from the actual working condition. It is used for new employees. Off-the-job training comprises of place specifically allotted for the actual workplace, where the workers are required to learn the skills and get well equipped with the tools and techniques that are to be used at the actual work place. Instances of off-the-job training methods are workshops, seminars, conferences, etc. such method is costly but effective if large number of employees have to be trained within a short time period (Okoroafor and Ajaero (2019).

### Private sector business and national development

Nigeria has the largest economy in Africa.

Private sector is an actor in development, which drives sustainable economic growth by bringing with its opportunities in value creation. It is also the fact that, achieving sustainable development will improve the environment for doing business and building markets (Business4Goals.com 2022). According to (Anthony 2022), the Nigerian banking industry progressively contributed N168.4trillion to the country's Gross Domestic Product (GDP) between 2017 and 2020, indicating an incredible resilience and growth, despite two difficult recessions. The sector contributed about N34.6 trillion to the country's GDP in 2017; N37.8 trillion in 2018; N42.7 trillion in 2019; and N53.3 trillion in 2020, a feat enabled majorly by the outstanding professionalism in the industry, according to Vice President, Yemi Osinbajo, the Nigerian former deputy president the national newspaper This Day (2022) spoke at the official opening of the Chartered Institute of Bankers of Nigeria, Bankers House Abuja and the Alliance of African Institute of Bankers (AAIOB) permanent secretariat. Stated that the Nigerian spirit remains unfazed and persistently bankable, despite several years of some of the most severe macroeconomic challenges, including the 2008 financial crisis, the oil crises that followed, and an unexpected pandemic,".

According to Bhawna (2021) national development is holistic in approach and it is a process of reconstruction and development in various dimensions of a nation and development of individuals. It includes full-growth and expansion of our industries, agriculture, education, social, religious and cultural institutions. moreover, national development implies development of a nation as a whole. It can be best defined as the all-round and balanced development of different aspects and facets of the nation viz. political, economic, social, cultural, scientific and material.

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Vaizey in ( Bhawna 2021) notable economist defines: “National development as the total effect of all citizen forces and addition to the stock of physical, human resources, knowledge and skill.”

United Nations Decade Report in Bhawna (2021) posit that National development is growth plus change. It specify that broadly, development of the nation encapsulates such parameters as:

- ❖ Development through a planned national economy
- ❖ Increase in agricultural production through application of modern technical know-how,
- ❖ harnessing industrial production,
- ❖ Development of human resource,
- ❖ Application of science and technology in production sector,
- ❖ provision of mass education and
- ❖ Provision of various facilities to meet the needs and aspirations of disadvantaged, deprived and poorest of the poor segments of population.

### Theoretical Framework

Human capital theory stipulates that schooling and training is an investment in skills and competences. It demystifies how education increases workers level of cognitive skills, technical knowhow, and wherewithal and by extension higher productivity. In the wealth of Nations (1776) Adam Smith formulated the basis of what later became the science of human capital. The present work anchored on the theory and portrays that investment in tertiary institutions workforce will increase workers level of cognitive skills, technical knowhow and productivity for sustainable economic growth and development.

## 3.0 METHODOLOGY

### Research Design

The study adopted the ex-post factor design, it is a research design undertaken after the events have taken place and the data are already in existence

### Source of Data

The research used secondary data on sourced from online published annual statements of banks for the period 2008-2021

### Sample Size

A sample size of four banks were purposely taken from banks whose financial statements were accessible online for the period of investigation 2008-2021. These include: Zenith bank Plc, Access bank Plc, Sterling Bank Plc and Fidelity bank Plc respectively.

### Model Specification.

Linear relationship was established between human capital accounting proxied by staff training and development cost (STD) and performance proxied by Return on Asset (ROA) and return on equity (ROE).

The model is specified thus:

$$STD = f \{ROE\}. \quad \text{Model 1}$$

$$STD = f \{ROA\} \quad \text{Model 11.}$$

The model equation is estimated thus:

$$STD = a_0 + a_1ROE + \mu_1 \quad \text{Model 1}$$

$$STD = a_0 + a_1ROA + \mu_1 \quad \text{Model 11}$$

### Where:

STD = Staff development and training

ROE = Return on equity

ROA = Return on Asset

### Method of data analysis

The study made use of ordinary least square regression to express the relationship between the dependent variable and the independent variables. Further descriptive statistics was employed to analyze the descriptive properties of the variables

**Decision Rule:** In other to test the two stated null hypotheses stated in the research, the probability value of less than 0.05 of the test variable in the regression model denotes significance. Thus the stated null hypothesis is rejected at 5% level of significance at probability value of less than 0.05.

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## 4.0 RESULTS

Results obtained were analyzed in this section

### Descriptive Statistics

The descriptive properties of the variables are analyzed in table 4.1 below

Table 4.1 Descriptive Statistics

	STDC	ROE	ROA
Mean	9.778024	2.848305	2.603466
Accounting Median	9.944233	2.959015	2.784873
Maximum	10.40044	3.173878	3.764451
Minimum	8.683216	1.924249	0.993252
Std. Dev.	0.562012	0.381430	0.788915
Skewness	-0.660943	-1.558591	-0.859590
Kurtosis	2.242260	4.176485	3.038770
Jarque-Bera	1.160777	5.550469	1.478541
Probability	0.559681	0.062335	0.477462

Descriptive properties of the variables displayed in table 4.1 indicates that the observed distribution of staff development and training (STD), Return on Assets (ROA) and Return on Equity (ROE) have skewness coefficients which estimate the asymmetry of their distribution of series around its mean of 9.778024, 2.848305 and 2.603466 with negative skewness. The implication of the result was that the observed distribution of the STDC, ROA, and ROE were normally distributed with their Jarque-Bera probability values (1.160777 5.550469 1.47854) greater than 0.05 respectively.

### Ordinary Least Square Regression Analysis

Model 1: Relationship model of Staff Development, Training and Return on Equity

Table 4.2 Ordinary Least Square Regression

Dependent Variable: ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SDC	-0.107064	0.211932	-0.505182	0.6244
C	3.895182	2.075414	1.876821	0.0900
R-squared	0.024886	Mean dependent var		2.848305
Adjusted R-squared	-0.072626	S.D. dependent var		0.381430
S.E. of regression	0.395038	Akaike info criterion		1.131344
Sum squared resid	1.560553	Schwarz criterion		1.212162
Log likelihood	-4.788065	Hannan-Quinn criter.		1.101423
F-statistic	0.255208	Durbin-Watson stat		1.589712
Prob(F-statistic)	0.624378			

$$ROE = 3.89518209557 - 0.107064286307 * SDC$$

Equation 4,1

The equation 4.1 showed that the constant parameter, 3.895182 is positive and also Return on Equity is negatively related to staff training and development cost with a coefficient value of -0.107064. Analysis therefor showed that staff training and development has decreasing effect on the return on equity of the banking sector. Results further showed that the T statistics is insignificant with a probability value of 0.6244. This is considering the fact it is greater than 0.05. Results therefore led to acceptance of null hypothesis one, with the conclusion that staff training and development has insignificant effect on return on equity of the Nigerian banks. Patrick., Anthonia and Adeniji (2018) in their study concluded that human capital development is fundamental to the success of the banking industry. This posit that the sector should improve in its human capital accounting for sustainable financial performance

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### Model 11: Relationship model of Staff Development , Training and Return on Asset

Table 4.2 Ordinary Least Square Regression

Dependent Variable: SDC

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	-0.033018	0.225034	-0.146723	0.8863
C	9.863985	0.610028	16.16973	0.0000
R-squared	0.002148	Mean dependent var		9.778024
Adjusted R-squared	-0.097637	S.D. dependent var		0.562012
S.E. of regression	0.588810	Akaike info criterion		1.929586
Sum squared resid	3.466973	Schwarz criterion		2.010403
Log likelihood	-9.577513	Hannan-Quinn criter.		1.899664
F-statistic	0.021528	Durbin-Watson stat		1.245802
Prob(F-statistic)	0.886266			

$$ROA = 9.863985 - 0.033018SDC$$

Equation 4.2

The equation 4.2 showed that the constant parameter, 9.863985 is positive also Return on Asset is negatively related to staff training and development with a coefficient value of -0.033018, this posits that staff training and development has decreasing effect on the return on asset of the banking sector. Results further showed that the T statistics is insignificant with a probability value of 0.8863. This is considering the fact it is greater than 0.05. Results therefore led to acceptance of null hypothesis two, with the conclusion that staff training and development has insignificant effect on return on asset of the Nigerian banks. Human capital is represents the human factor in an organization where by combination of intelligence, skills, knowledge, aptitudes and expertise that gives the organization its distinctive character which those traits contributing to production and profitability, thus improve organizational performance (Bontis et al., 2000 Tayles et al., 2007; Gazor et al., 2013 in Azlina, Ruhaya and Amrizah 2017). Additionally, Yusuf (2013) in Azlina Ruhaya and Amrizah (2017) argued that the ability of a corporate organization to successfully implement business strategies solely depends on efficient use of intangibles asset, particularly human capital. The finding consolidate that human capital of the banking sector is insignificant to their sustainable performance.

### CONCLUSION

The study concludes that human capital accounting is very essential for sustainable performance of the private sector business. The study concludes that staff training and development in banks did not significantly affect the return on asset and equity to effect sustainable performances. Therefore creation and development of quality workforce in banks for sustainable performance is a function of human capital Accounting.

### Policy Implication of the Findings

To successfully confront the challenges of the financial sector sustainable performance, there must be a paradigm shift to ;

1. Improvement in investment in human capital for sustainable performance of the banking sector.
2. Staff training programmes should be organized from time to time for all levels of staff and be adequately disclosed in financial statement for sustainable performance.

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