THE EFFECT OF AMORTIZING THE VALUE OF HUMAN RESOURCE COST ON THE FINANCIAL PERFORMANCE OF NIGERIA BANKS

Abstract

This study looked into how Nigerian banks' financial performance was affected by depreciating their human resource costs. The research design used in this study is ex post facto. The study employed an ex post facto research design. The reliability and validity of the state data sources were established by the questionnaire. The data were analyzed using ordinary least squares (OLS). It was discovered that human resources had a major influence (Adj R2 = 0. 858, F (9.064)).The findings showed that financial performance benefited from the expense of human resource training. FP was significantly impacted by HRTC (β = 0.3.86, t = - 1.586, p< 0.05),and FP was significantly impacted by HRAC (β = 0.911, t = 4.143, p<0.05). According to the study, using acquisition costs for human resources has a favorable effect on an organization's financial performance. The management boards of the banks under examination are advised by the study to work toward implementing the policy of classifying human resource costs as assets. To guarantee that their employees have the technical know-how and understanding to perform their tasks more efficiently, banks must plan regular training sessions for their HR department. Since the organization's most significant asset is its human resources, the Central Bank of Nigeria ought to ensure that the funds allocated to them are appropriately declared and acknowledged as assets in bank annual reports. By doing this, the genuine financial performance of the institutions will be more accurately depicted.

Keywords: Financial Performance, Human Resource Cost, Human Resource Acquisition Cost

UNDER PEER REVIEW

1.0 INTRODUCTION

The Financial Accounting Standard Board was the first respected body tasked with creating accounting standards that looked at human resource management. For the purposes of human resource accounting, a business's costs associated with recruiting, selecting, onboarding, training, and developing staff should be capitalized and treated as assets, according to Brummet (1970). According to regular accounting standards, he said, the amount so capitalized should be written down and amortized, and it should be represented on the balance sheet under the heading "human assets" rather than "physical assets."

An attempt to incorporate human capital data into the balance sheet was made by Hermanson (1964, 1986), and this concept developed into human resource accounting. He did this in an attempt to quantify the value of an organization's human capital. Furthermore, according to Hermanson (1986), future salaries payable are a liability, but human resources—also referred to as operational assets—represent assets on the balance sheet.

Furthermore, Likert and Pyle (1971) discovered variables that may be employed to gauge adjustments in the effectiveness of human organizations. Regular evaluation of incidental and mediating aspects such as leadership style, configuration, and loyalties may reveal changes in the organizations' capacity to generate. They argue that, in terms of final outcome variables like opportunity or incomes, changes in the present can finally be translated into expected changes in the future. This is quantifiable in terms of money.

Flamholtz (1985, 1999) and Dobija (1998) developed a model to determine the value of human resources to the business using the stochastic process. This model determines an employee's movement within an organization using markov chains. A markov chain is a stochastic system in which the occurrence of a future state depends only on its immediate antecedent, according to Sydenham (1979). Therefore, this method can be used to determine the chance of filling each organizational function. Toulson and Dewe (2004) contend that human resources need to be presented in monetary terms in order to acquire credibility. The measurement will also consider the competitive and strategic importance of human resources.

UNDER PEER REVIEW

Accounting for human resources can improve external decision-making. Investors could be able to assess a business. When the expense of human resources is taken into account, the confidence in performance and its prospects for the future grows. The metric we use to assess the relative importance of each input is the ratio of human resources to total assets, which also serves as a useful predictor of an organization's performance. The aforementioned makes it evident that human resources accounting is an antiquated concept that is mostly utilized in the USA and India (as mentioned by Srinvasan, 2009) without any accompanying accounting standards or policies.This strategy is scarcely novel in Nigeria because no organizations have started implementing it. Intangible assets arise from deferring service expenses rather than physical costs (Hendriksen and Van 1992). A number of intangible assets, including costs associated with software development, marketing and promotion, and training, may be recognized as deferred charges. Typical examples of intangibles are patents, licenses, copyright, and brand names.

The International Accounting Standard Board has played a significant role in several projects related to the accounting for intangible assets. Since the project's beginning in 1989, three modifications have been made: the draft statement in 1994, 1995, and 1997. The accounting for intangible assets was covered by International Accounting Standard 38, which was published in 1998. While the standard was being developed, the following important issues surfaced (International Accounting Standard 1998a):

i. if the rules for domestically generated intangible asset recognition should differ from those for assets purchased externally, and if internally created assets should be reported on the balance sheet.

ii. If it is possible to determine the fair value of an intangible asset with any level of accuracy.

UNDER PEER REVIEW

iii. Should the value of intangible assets be amortized, and if so, for how long? International Accounting Standard (IAS) 38(1998b: 7) states that an identifiable non-monetary asset without physical substance kept for use in production or supply of goods or services, for rental or other or administrative reasons, is an intangible asset. According to the same standard, an asset was defined as:

An asset is a resource that a business has as a result of a past event. A resource that the company hopes to generate future financial rewards from is called an asset. IAS 38 states that for an asset to be classified as an intangible asset, it must be sufficiently identifiable to be differentiated from goodwill. The company must also have sufficient control over the asset in order for it to satisfy the requirements for an intangible asset. As per this definition, human resources are distinguishable from goodwill and may be identified, making them intangible assets.According to IAS 38, an asset is separable if it permits a business to sell future economic benefits from other assets used in the same revenue activity without also selling the asset's specific future benefit through distribution, exchange, sale, or rental (IAS 38, 1998a:11). Human assets include some features of intangible assets even if they cannot be purchased, rented, exchanged, or distributed. For example, when an employee is fired, they do not forfeit any potential future cash gains from other assets. Furthermore, IAS 38 states that in order for an intangible asset to be recognized at cost, the following conditions must be met:

The corporation is likely to benefit financially in the futurefrom the asset (1998a: 19). It is possible to calculate the asset's cost precisely.

A precise assessment of an investment in human resources can be made by examining the expenses related to recruiting, screening, onboarding, and employee development. Unlike other assets, the employee is free to leave the company at any time, yet during his employment, he probably will help the company in some capacity. The definitions provided by IAS 38 provide

UNDER PEER REVIEW

that investing in human resources may be regarded as an asset provided related expenses are capitalized and shown on the balance sheet.

This is required since these costs are now written off or classified as overhead, which devalues the business by misrepresenting the organization's actual financial performance in the financial statements. Additionally, most of the previously identified methods failed to provide information consistent with the principles of objectivity, reliability, conservation, and uniformity by emphasizing the subjective nature of valuing human resources and trying to decide what should or shouldn't be included in the capitalized human cost while treating this cost in the balance sheet.Therefore, the current study must examine how amortizing human resource costs affects the organization's financial performance and provide strategies for supporting the current approaches used in valuing such costs in order to examine the impact of treating such costs on the financial performance of Nigerian banks.

As Brummet (1970) puts it, how much would it cost to hire, onboard, acquaint, and perform all the other tasks necessary to bring a new group of people up to the level of effectiveness of the original human organization if you came to your workplace the next day to find that all of your material possessions were gone and that you had no employees at all?

It shows that while human resources are still largely disregarded in contemporary accounting theory and practice, their importance for determining an organization's success has already gained a great deal of recognition. Because employees have a big part in the performance of the company, it is increasingly important to incorporate employee contributions in the balance statement. There must be a market for human resources in order for the methods for acquisition

UNDER PEER REVIEW

cost and current cost to satisfy reliability standards. Procedures that are not subject to a marker's constant presence may not be taken into account in financial reporting.

Given the problems that each method of valuing and disclosing human resources in the financial report has run into, it follows that an examination of the impact of human resources on the balance sheet is required.

2.2 Conceptual Framework

As Brummet (1970) puts it, how much would it cost to hire, onboard, acquaint, and perform all the other tasks necessary to bring a new group of people up to the level of effectiveness of the original human organization if you came to your workplace the next day to find that all of your material possessions were gone and that you had no employees at all?

It shows that while human resources are still largely disregarded in contemporary accounting theory and practice, their importance for determining an organization's success has already gained a great deal of recognition. Because employees have a big part in the performance of the company, it is increasingly important to incorporate employee contributions in the balance statement.

There must be a market for human resources in order for the methods for acquisition cost and current cost to satisfy reliability standards. Procedures that are not subject to a marker's constant presence may not be taken into account in financial reporting. Given the problems that each

UNDER PEER REVIEW

method of valuing and disclosing human resources in the financial report has run into, it follows that an examination of the impact of human resources on the balance sheet is required.

2.1 Concept of Amortization of Human Resources Cost

Mueller (2004) defines amortization as a gradual reduction in value through periodic write-down and requires companies to recognize such an expense. Schwerder (2005) defines amortization as a method of allocating the cost of capital asset to expense (matching principle) in a systematic and rational manner to periods expected to benefit from use of such asset. Lister (2012) claims that amortization is a method that enables businesses of all sizes to progressively recoup the expense of acquiring intangible assets.

Amortization is the process of gradually subtracting an asset's cost in the context of accounting. For intangible assets, the idea of amortization is similar to that of depreciation. It is the systematic reduction of an asset's or liability's value by a predefined sum. Essentially, it is a means of allocating distinct categories of assets and liabilities to the relevant time intervals. It is used with intangible assets, such as human capital. It is a means by which accountants can apply the period concept of accrual-based financial statements, according to which income and expenses are recorded in the impacted periods instead of at the time when cash is actually transferred.This is due to the fact that it would not be reasonable to fully expense an intangible asset in just the first year of ownership, just as it would not be appropriate to fully expense an asset whose life spans multiple years to fully expense all of its acquisition, training, and welfare expenditures in the year of acquisition.

Intangible assets, such as human capital, can provide long-term benefits to an organization, thus the cost of acquisition should be spread throughout the duration of the business's anticipated

UNDER PEER REVIEW

revenue-generating use of them. Mueller (2004) explained that the main consideration in deciding whether or not to amortize an intangible asset is its useful life, or if it is endless.

Brummet (1969) asserts that constant reviews and revisions of amortization procedures, along with regular evaluations of human resources and roles performed, are necessary to ascertain:

1.Notable changes in a person's health that might call for write-offs or modifications to the amortization schedule,

2. Changes to jobs held by certain employees or job requirements that could make the unamortized portion of some HR inputs obsolete and necessitate a write-off

3. When employees transfer across divisions, asset balances may need to be rearranged for segment accounting.

4. Losses should be reported for resignations or layoffs that affect the amount of unamortized balances.

2.3 Financial Performance Measurement Concept

Financial performance is defined as "measuring the results of an organization's policies and operations in monetary terms" by Business Dictionary.com (2008). An alternative definition of it would be "maximizing the market value of the existing owner's equity or the value of the business shares."

Return on Assets: This measures the total return to investors on the assets held by the business. Chen Cheng and Hwang (2005) define it as the ratio of net income (less preferred dividends) to

the book value of all assets as reported in the annual report. This demonstrates a company's profitability without the need for leverage or how well it uses its resources to generate revenue.

Return on Asset is calculated by dividing the business's total annual earnings by the total value of its assets. It is always expressed as a percentage. The most stringent and demanding standard for shareholder return is this one. This is a metric that is commonly used to compare the performance of banks because the majority of banks' assets will have a carrying value that is near to their real market worth.

There are two acceptable ways to compute return on assets, and they are as follows:

Option 1: Return on Asset = Net Profit X Asset Turnover

Option 2: The formula for return on asset is depicted as:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

UNDER PEER REVIEW

2.4 Theoretical Framework

2.4.1 Amortisation Theory

Amortization is applicable to intangible assets in the same way that depreciation is to tangible assets. Capitalizing and amortizing the cost of human resources indicates that these expenses are being incurred as an investment in the business and are then being expensed when they are completed, giving the organization confidence that these expenditures are, in fact, intended for long-term returns.

The principles of amortising accounting records have an impact on the organization's financial statement's presentation of profit and expense, as well as the valuation and grouping of current and fixed assets. The amortization process gives users of this account access to data on the company's profitability, financial solvency, and the composition of its funding sources. It's important to keep in mind that, in the current economic climate, amortization can be used as a tool for financial management, helping firms minimize their tax bases while also assessing their cash flow.

Melis was the first to define amortization as the value of a real asset directly declining, according to Sokolova and Eremeko (n.d.). Maatz (1907) was stated to define amortization as a reduction in the estimated cost that must be included in the balance sheet, while Savary (1675) was cited to define amortization as depreciation within the context of reducing current assets.

The theories of amortization are as follows:

UNDER PEER REVIEW

2.4.2 Dynamic Theory:

Schmalenbach's theory was presented and referenced by Sokolova and Eremeko (n.d.). This theory states that calculating profit and loss becomes essential when putting together a balance sheet. He went on to clarify that in order to demonstrate the profit, the operating profit—which is the difference between costs and cash flow—must be calculated over a predetermined time period. To make comparing the economic performance over time easier, it is important to put here the necessary costs and earnings for the period being evaluated. Considering this suggests that it permits comparability rather than unifying the value.According to this theory, all factors that have an impact on amortization should be evaluated from this perspective. Expenses are allocated over different time periods through techniques for amortizing this cost. These expenses

are capitalized until they become costs. He disagreed, though, with the idea that amortization might be seen as an asset renewal fund, arguing that the creation of such a reserve is only practical in the case of constant money supply and stable prices. In conclusion, the dynamic theory views amortization as a means of writing off expenses rather than as a means of valuing assets.

Cascio (1998) suggested a method of evaluating human capital that takes into account employee attitudes, the list of competent individuals, and indicators of human capital innovation. According to this method, since innovation fetches a premium, it must be measured, for example, by comparing the gross profit margins of new items to those of current ones. Since employee attitudes are important indicators of human capital, it is important to keep an eye on them as they predict customer satisfaction and retention as well as tenure, turnover, experience, and learning.

UNDER PEER REVIEW

2.5 Empirical Framework

2.5.1 Amortization and Financial Performance

Brummet (1969) describes the following steps in his cost-based method for accounting for human resources: (1) recording human resource investments through the capitalization process; (2) recording routine capitalization item expirations using a pre-established amortization procedure; (3) recording losses to recognize special expirations due to staff turnover or obsolescence of investment in particular skills or knowledge capabilities; and (4) reporting or communicating to interested parties on the dynamics and condition of human resources in terms of investments therein. Brummet continued, stating that the cost of recruiting new staff members

ought to be allocated gradually, using the most accurate approximation of the period of the staff member's active involvement with the organization.Brummet (1969) describes the following steps in his cost-based method for accounting for human resources: (1) recording human resource investments through the capitalization process; (2) recording routine capitalization item expirations using a pre-established amortization procedure; (3) recording losses to recognize special expirations due to staff turnover or obsolescence of investment in particular skills or knowledge capabilities; and (4) reporting or communicating to interested parties on the dynamics and condition of human resources in terms of investments therein. Brummet continued, stating that the cost of recruiting new staff members ought to be allocated gradually, using the most accurate approximation of the period of the staff member's active involvement with the organization.

Amortization periods should never exceed the length of the recipient's employment with the organization, according to Brummet (1969). Finally, he suggested that under his cost-based system, there would be asset balances (book value figures) for unamortized inputs to human resources, including the various roles, individuals, and groups of individuals that the company employs, as well as expense figures for regular amortization, out-of-date inputs, health declines, voluntary resignations, layoffs, and other causes that were determined.

According to Choi, Kwon, and Lobo (2000), intangible assets should be included on a company's balance sheet and should not be routinely amortized to reflect the expected decline in value. Yousef (2004) supported the findings of Choi, Kwon, and Lobo, who found a strong positive association between reported goodwill and identified asset prices as well as stock market value. He came to the conclusion that reported goodwill and identified intangible assets appear to be

UNDER PEER REVIEW

taken into consideration by the market when determining a firm's market value. He went on to suggest that the write-off of goodwill and intangible assets and equity market values are negatively and infrequently significantly correlated.He came to the conclusion that applying uniform amortization standards could be desirable because these relationships might vary greatly throughout enterprises. Regarding the valuation of the expenses related to human resources, there is no consensus.

3.0 Methodology

Kajola and Adedeji (2011) used a survey design, Salisu (2011) used a survey and descriptive design, and Bassey and Tapang (2012) used an ex post facto research approach. This study used an ex post facto design. The research design is appropriate because the study is an empirical investigation and the researcher has no influence over the previous therapy. Furthermore, because the treatment is the accepted norm, the researcher is unable to alter it. The researcher used data from both primary and secondary sources. The research tool was a questionnaire that was divided into sections A and B. The goal of the form is to provide information regarding the "effect of Human Resource Accounting on Financial Performance of Nigerian Banks".

Section A contains personal data such as gender, age, marital status, degree of education, position, and rank.

The structured questions in Section B on the study subject are divided into five subheadings. These are listed in the following order:1. Assessing the human capital 2. Training costs

The data was analyzed using the Statistical Package for the Social Sciences (SPSS) to ascertain the answers to the research questions presented in the study.

UNDER PEER REVIEW

3.1 Model Specification

The idea is founded on the assumed functional relationship between accounting for human resources and financial performance. The cost of human resources is the explanatory (independent) variable in the model, whereas financial performance is the explained (dependent) variable.

The functional relationship:

Y = f(A), Y= FP. A = (HRAC, HRTC),

FP = (ROA)

FP = F (HRTC +HRWC)

Where:

FP = Financial Performance

HRAC = Human Resources Acquisition Cost

HRTC = Human Resources Training Cost

FP (NP) is the Dependent variable

HRA (HRAC and HRTC) is the Independent variable

Expressing this in linear model, we have:

$NP = \beta o + \beta 1\ (HRAC) + \beta 2\ (HRTC) + t$

4.0 Data Analysis

Table 1: Training Cost

s/n	Training cost	SA	A	PA	PD	D	SD

UNDER PEER REVIEW

		(%)	(%)	(%)	(%)	(%)	(%)
1	In terms of financial performance, training contributes to the organization's increased value.	19(42.2)	23(51.1)	(2(4.4)	-	1(2.2)	-
2	The money spent on human resource training is done so with the intention of reaping benefits later on.	17(37.8)	28(62.2)	-	-	-	-
3	An organization should view the expense of employee training as an advantage.	7(15.6)	28(62.2)	5(11.1)	2(4.4)	-	3(6.7)
4	The expense ought to appear as an asset on the company's balance sheet.	8(17.8)	24(53.3)	6(13.3)	3(6.7)	1(2.2)	3(6.7)
5	The organization should get value from the skills, information, and experience that are acquired.	11(24.4)	24(53.3)	10(22.2)	-	-	-
6	The importance of recording human resources as an asset in the financial statement stems from the amount spent on training.	7(15.6)	18(40.0)	15(33.3)	2(4.4)	3(6.7)	-
7	Because of its advantages, training can be seen as an asset to a company.	4(8.9)	24(53.3)	12(26.7)	2(4.4)	2(4.4)	1(2.2)
8	Human resource training has a significant impact on an	14(31.1)	28(62.2)	3(6.7)	-	-	-

UNDER PEER REVIEW

	organization's financial performance.						
9	Adding training costs as an asset would have a detrimental effect on the organization's financial success.	2(4.4)	5(11.1)	6(13.3)	10(22.2)	21(46.7)	1(2.2)
10	Writing off training expenses would improve the organization's financial performance.	3(6.7)	8(17.8)	8(17.8)	4(8.9)	20(44.4)	2(4.4)
11	Adding training costs as an asset would have a favorable impact on the organization's financial performance.	10(22.2)	25(55.6)	5(11.1)	-	3(6.7)	-
12	Writing off training expenses would have a detrimental effect on the organization's financial success.	2(4.4)	1(2.2)	2(4.4)	8(17.8)	30(66.7)	2(4.4)

UNDER PEER REVIEW

Most of the Of the respondents, 23 (51.1%) agreed and one respondent (2.2%) disagreed that training increases an organization's financial performance worth. From this angle, 28 respondents (62.2%) agreed and 17 respondents (37.8%) strongly agreed that the prospective future advantages outweigh the expenses of investing in human resource training. Only three respondents (6.7%) strongly disagreed with the assertion that an organization's training expenses should be considered an asset, whereas 28 respondents (62.2%) agreed. However, 24

respondents, or 53.3%, agree that the expense should be included as an asset on the organization's balance sheet.Meanwhile, 24 (53.3%) of the participants agreed that acquiring skills, knowledge, and experience have to be leveraged to enhance the organization's worth. The 18 respondents, or 40.0%, who agreed that it is essential for human resources to be listed as an asset in the financial statement because of the amount spent on training were only 3 respondents, or 6.7%, in disagreement. The findings also show that, despite the fact that just 1 respondent (2.2%) strongly disagreed, a substantial majority of 24 respondents (53.3%) agreed that, because of its advantages, training can be seen as a company asset.

Furthermore, the findings demonstrate that 28 respondents, or 62.2%, concurred that an organization's financial performance depends on human resource training. Of the 21 respondents, 46.7 percent disagreed, and just 2 (4.4%) strongly agreed that the organization's financial performance would suffer if training costs were classed as an asset. It recommends that the organization's financial statement list the costs of training as assets. Three people (6.7%) strongly agreed with the statement that writing off training costs will increase the organization's financial performance, while the plurality of respondents, 20, (44.4%), disagreed.However, only 3 respondents (6.7%) disagreed, with 25 respondents (55.6%) agreeing that adding training as an asset will have a beneficial impact on the organization's financial success. The majority, 30 (66.7%), agreed that writing off training costs would have a negative impact on the organization's financial performance, and 2 (4.4%) strongly agreed. The respondents have not responded to the blank cells.

Table 2: Acquisition Cost

s/n	Acquisition Cost	SA (%)	A (%)	PA (%)	PD (%)	D (%)	SD

UNDER PEER REVIEW

							(%)
1	The expenses paid in the procurement of human resources are intended to yield future advantages.	15(33.3)	21(46.7)	8(17.8)	1(2.2)	-	-
2	Human resources are expensive to acquire and ought to be shown as assets on the financial statement.	2(4.4)	24(53.3)	13(28.9)	1(2.2)	3(6.7)	2(4.4)
3	The expense of hiring new employees ought to be viewed as an expense and deducted.	7(15.6)	6(13.3)	6(13.3)	8(17.8)	18(40.0)	-
4	If acquisition costs were recognized as assets, the organization's financial performance would suffer.	1(2.2)	8(17.8)	5(11.1)	4(8.9)	27(60.0)	-
5	The financial performance of the company would benefit from the expense of hiring human resources.	4(8.9)	27(60.0)	5(11.1)	1(2.2)	7(15.5)	1(2.2)
6	The financial performance of the company would benefit from the amortization of human resource costs.	-	38(84.4)	2(4.4)	2(4.4)	2(4.4)	1(2.2)
7	The organization's financial performance would suffer if human resource costs were amortized.	1(2.2)	3(6.7)	1(2.2)	9(20.0)	30(66.7)	1(2.2)

Source: Researcher's Data, 2024

UNDER PEER REVIEW

Out of the total respondents, 21 (46.7%) agreed that the costs associated with acquiring human resources are done so in order to reap future benefits. Only 1 (2.2%) respondents disagreed slightly with this statement. As for the expense of obtaining human resources, a large number of respondents—24, or 53.3%—agree, and 2 (or 4.4%) strongly agree that it must be included in the financial statement as an asset and that it is an expensive process. The findings also indicate that although the majority of respondents—18, or 40.0%—disputed with the notion that the costs of hiring new staff should be deducted from income, while 6 (13.3%) of them agreed. Furthermore, the data shows that whereas 27 (60.0%) of the respondents disagreed, just 1 (2.2%) firmly agreed that the organization's financial performance would suffer if acquisition expenditures were classed as assets.

Additionally, the data reveals that just 1 (2.2%) of the respondents strongly agreed that the organization's financial performance would suffer if acquisition expenses were classified as assets, whereas 27 (60.0%) of the respondents disagreed.

Table 3: Financial performance

s/n	Financial Performance	SA (%)	A (%)	PA (%)	PD (%)	D (%)	SD (%)
1	The expense of human resources ought to be listed in the financial statement as an asset.	12(26.7)	22(48.9)	6(13.3)	1(2.2)	3(6.7)	1(2.2)
2	The cost of human resources ought to be utilized to assess the bank's financial success.	13(28.9)	23(51.1)	5(11.1)	1(2.2)	3(6.7)	-

UNDER PEER REVIEW

3	One of the metrics for assessing the bank's financial performance ought to be earnings per share.	13(28.9)	32(71.1)	-	-	-	-
4	An additional metric for assessing banks' financial performance is return on asset.	14(31.1)	31(68.9)	-	-	-	-
5	The bank's genuine financial performance is depicted in the financial statement.	15(33.3)	25(55.6)	5(11.1)	-	-	-
6	The most effective instrument for assessing an organization's financial performance is its financial statement.	16(35.6)	21(46.7)	8(17.8)	-	-	-
7	The inclusion of acquisition, training, and welfare costs as assets on the balance sheet will impact the bank's financial performance.	12(26.7)	29(64.4)	4(8.9)	-	-	-
8	Deducting the cost of human resources will improve the organization's financial performance.	2(4.4)	14(31.1)	19(42.2)	7(15.6)	2(4.4)	1(2.2)
9	The bank's financial performance will be positively impacted by the amortization of human resource costs.	-	37(82.2)	6(13.3)	1(2.2)	-	1(2.2)
10	Amortization of the cost of human resources will have a detrimental impact on the organization's financial performance.	2(4.4)	1(2.2)	3(6.7)	7(15.6)	28(62.2)	4(8.9)

UNDER PEER REVIEW

11	Expenses related to human resources will have a detrimental effect on the organization's financial performance.	2(4.4)	6(13.3)	4(8.9)	8(17.8)	22(48.9)	3(6.7)
12	The financial performance of the company will benefit more from amortizing human resource costs than from writing them off.	-	39(86.7)	4(8.9)	1(2.2)	-	1(2.2)
13	Compared to amortizing the cost of human resources, writing off these expenses will have a beneficial impact on the organization's financial performance.	1(2.2)	6(13.3)	4(8.9)	7(15.6)	26(57.8)	1(2.2)
14	Compared to amortizing human resource costs, writing off human resource costs would have a detrimental effect on the organization's financial performance.	2(4.4)	7(15.6)	6(13.3)	8(17.8)	20(44.4)	2(4.4)
15	It would be more detrimental to the financial performance to amortize the expense of human resources as opposed to writing it off.	-	1(2.2)	5(11.1)	6(13.3)	29(64.4)	4(8.9)

Source: Researcher’s Data, 2024

Table 3 reveals that 22 (48%) of the respondents agreed that the cost of human resources should be shown as an asset in the financial statement, while 1 (2.2%) of the remaining respondents strongly disagreed. Furthermore, while 1 respondent (2.2%) partially disagreed, 23 respondents (51.1%) agreed that the bank's financial success should be evaluated using the cost of its human resources. The majority of respondents, 32 (71.1%), thought that earnings per share should be taken into account when evaluating the bank's financial performance. Thirteen (28.1%) strongly

UNDER PEER REVIEW

disagreed with this view. Furthermore, thirty-one (68.9%) respondents agreed that return on asset is an additional metric to evaluate the financial performance of banks, whilst fourteen (31.1%) respondents strongly disagreed.

According to the findings, 25 (55.6%) of the respondents agreed that the financial statement accurately represents the bank's financial performance, whereas 5 (11.1%) of the respondents partially disagreed. However, 21 respondents (46.7%) agreed and 8 (17.8%) partially disagreed that financial statements are the best tool for evaluating the financial performance of a business. The majority of respondents, or 29, or 64.4%, concurred that the bank's financial performance would change if acquisition, training, and welfare costs were included as assets on the balance sheet.Four responders, or 8.9% of the total, partially disagreed. The plurality of respondents (19, or 42.2%) believed that expense accounting for human resources would improve the organization's financial performance, with only 1 (2.2%) strongly disagreeing. An examination of the data indicates that 1 (2.2%) of the respondents strongly disagree and 37 (82.2%) of the respondents believe that the amortization of human resources expenditures will improve the bank's financial performance.

The results indicated that 28 respondents, or 62.2%, disagreed with the assertion that the organization's financial performance will be negatively impacted by the amortization of human resources expenditures, while 1 respondent, or 2.2%, agreed with it. 22 respondents, or 48.9%, strongly disagreed with the statement that the organization's financial performance will suffer if human resource expenditures are subtracted. Of the respondents, 39 (86.7%) agreed that amortizing human resource costs will have a higher positive effect on the organization's financial performance than writing them off, while 1 (2.2%) strongly disagreed.

UNDER PEER REVIEW

Furthermore, it was shown that just 1 (2.2%) of the respondents strongly agreed with the statement that deducting human resources expenses will benefit the organization's financial performance more than amortizing them, while 26 (57.8%) of the respondents disagreed. Furthermore, two respondents (4.4%) disagreed and strongly disagreed with the statement that writing off the expense of human resources will negatively affect the organization's financial performance, whereas 20 respondents (44.4%) agreed. As for the last point, only 1 (2.2%) of the respondents thought that amortizing the expense of human resources would negatively affect the financial performance, while 29 (64.4%) disagreed. Regarding the blank cells, the responders have not replied.

Furthermore, it was shown that just 1 (2.2%) of the respondents strongly agreed with the statement that deducting human resources expenses will benefit the organization's financial performance more than amortizing them, while 26 (57.8%) of the respondents disagreed. Furthermore, two respondents (4.4%) disagreed and strongly disagreed with the statement that writing off the expense of human resources will negatively affect the organization's financial performance, whereas 20 respondents (44.4%) agreed. As for the last point, only 1 (2.2%) of the respondents thought that amortizing the expense of human resources would negatively affect the financial performance, while 29 (64.4%) disagreed. Regarding the blank cells, the responders have not replied.

UNDER PEER REVIEW

Table4: Regression result of the influence of HRC on NP

Model Summary

R	R^2	Adjusted R	F - value

		Square	
.926	.858	.763	9.064
Predictors: (Constant), Human resources cost			

Source: Computed from Field data with SPSS, (2024)

Table 4 above shows the relationship between the predictor and the dependent variable. After accounting for error, the determinant of variation (R2) shows that changes in the independent variables account for 76% of the oscillations in the dependent variable. Furthermore, given the F statistics value of 9.064, which suggests that the null hypothesis—that writing off human resource costs has no appreciable effect on banks' financial performance—should be accepted, the alternative hypothesis—which maintains that writing off human resource costs has a significant impact on banks' financial performance—should be rejected.

Table 5: Regression result of the influence of HRC on NP

Coefficients

Model	Unstandardized B	Coefficients Std. Error	Standardize Coefficients Beta	t-value
Constant	-2.310	1.100		-2.101
Human resources training cost	3.386	2.135	.349	1.586

UNDER PEER REVIEW

Human resources acquisition cost	5.825	1.406	.911	4.143
Dependent variable: Net Profit				

Source: Computed from Field data with SPSS, (2024)

The HRTC coefficient is 35%, not statistically significant, and shows a positive sign, according to Table 5. This implies that a unit increase in HRTC will translate into a 35% increase in NP. The coefficient of HRAC is also 91%, meaning that a unit of HRAC will yield 91% of NP. It should be noted that this relationship lacks statistical significance. When we translate this into a linear model, we get:

$$NP = \beta_0 + \beta_1 (HRTC) + \beta 2 (HRAC) + \mu$$

Therefore

$$NP = -2.310 + 3.386(HRTC) + 5.825(HRAC) + \mu$$

The equation above illustrates the link between Net Profit and human resource costs. The b-values show the relationship between Net Profit and each predictor. A positive value denotes a positive correlation between the predictor and the outcome; conversely, a negative coefficient denotes a negative relationship, which is elaborated upon thereafter.

UNDER PEER REVIEW

Human resource training cost (β = 3.386): this indicates that a unit increase in human resource training costs will result in a 3.386-unit increase in net profit.

Human resource acquisition cost (β = 5.825): this shows that a unit increase in human resource acquisition costs will result in a 5.825-unit rise in net profit.

Table 6: Regression analysis of HRC on NP

Coefficients

Model	Unstandardized B	Coefficients Std. Error	Standardize Coefficients Beta	t-value
Constant	29.798	70.944		.420
Human resources training cost	-90.255	145.300	-.337	-.621
Human resources welfare cost	36.010	182.744	.107	.197
Human resources acquisition cost	-90.255	145.300	-.337	-.621
Dependent variable: Amortised Net profit				

Source: Computed from Field data with SPSS, (2024)

The HRTC coefficient is -34%, not statistically significant, and has a positive sign, according to Table 6's results. This implies that a unit increase in HRTC will result in a 34% decline in EPS. Additionally, the coefficient of 11% indicates that a unit increase in HRWC will yield an 11% rise in EPS; this relationship is not statistically significant and has a positive sign. Similarly, the coefficient of -37% indicates that a unit increase in HRAC will produce a unit of -37% in EPS, which is similarly not statistically significant.

Upon converting this into a linear model, we obtain:

UNDER PEER REVIEW

$NP = \beta_0 + \beta_1 (HRTC) + \beta_2 (HRWC) + \beta 3 (HRAC) + \mu$

Therefore

$NP = 29.798 - 90.255(HRTC) - 90.255 (HRAC) + \mu$

The above equation shows the link between net profit and human resource costs. The b-values show the relationship between Net profit and each predictor. A positive value denotes a positive correlation between the predictor and the outcome, whereas a negative coefficient denotes a negative relationship. This is clarified in further detail below:

Human resource training cost (β = -90.255): this shows that a rise of one unit in these expenses will translate into a decrease of -90.255 units in net profit.

Cost of acquiring human resources (β = -90.255): this shows that a unit increase in this expense will translate into a -90.255 unit decrease in net profit.

5.2 Conclusion

Confidentiality: The banks were unwilling to release their records, and only a small number of them provided the data required for the financial statement analysis. As a result, the researcher was forced to use the records that were accessible, as indicated in appendix 1.

1. The sample size of six institutions was chosen for the secondary data analysis due to the unavailability of bank information.

2. The fact that the required information was absent from the banks' previous financial records had an effect on the number of banks used in the research, which in turn affected the number of years used in the analysis.

UNDER PEER REVIEW

3. The reporting and management of human resource costs on bank financial statements are currently unregulated in the banking sector.

4. The amortization of the cost of human resources has not been given a rate.

5. It was difficult to project each employee's future productivity within a corporation.

5.3 Recommendations

The financial performance of Nigerian banks and their accounting for human resources were the main subjects of the study. It addressed and outlined the differences between the costs associated with acquisition and training, human resources, and the financial performance of the banks that were the subject of the research. As the study progressed, some challenges were discovered. In light of those concerns, the report subsequently recommends the following actions:

1. The management boards of the banks under investigation should try to implement the policy of classifying human resource costs as assets in the financial statements of the institutions.

2. The Central Bank of Nigeria should make sure that the funds allocated to human resources are adequately acknowledged and documented as assets in bank annual reports, as they are the organization's most important asset. By doing this, the financial performance of banks will be more precisely represented.

3.The management boards of the banks that are the subject of the investigation should create a model or metric to determine the added value that human resource expenses provide in order to determine the impact of human resources on the financial performance of the bank.

4. In order to fully access the banks' financial performance, all banks should implement the amortization of human resource expenditures. Furthermore, as per Rahman (2005) and Syed and Panuel (2012), the period of amortisation of human resources assets may be determined by taking a specific percentage of each employee's effective useable life inside the organization.

UNDER PEER REVIEW

5. To guarantee that employees have the technical know-how and knowledge to perform their tasks more efficiently, banks must plan regular training sessions for their HR department.
6. The banks should set up a section devoted to the accounting of human resources. This department should also be in charge of developing an accounting tool that will be used to calculate the cost of human resources.
7. Accounting boards like the International Accounting Standard Board and the Nigerian Accounting Standard Board should be the ones to develop laws regulating the field of human resources accounting.

All things considered, the study meets my expectations. Yousef (2004) found a negative and inconsistently significant link between market prices and write-off of intangible assets, leading to the conclusion that the implementation of standardized amortisation norms may be justified. The t-test at a significance threshold of 5% indicates that amortizing human resource costs rather than writing them off will improve banks' financial performance.

REFERENCES

Bassey, E.B. & Tapang, A. T (2012). Capitalized human resources cost and its influence on Corporate productivity: A study of selected companies in Nigeria. *International Journal of Financial Research*. 3(2), 48 – 59.

Brummet, R.L. (1970). Accounting for human resources. *The Journal of Accountancy*, 4; 62 – 66

Cascio, W.F. (1998). The future world of work: implications for human resource costing and accounting: *Journal of Human Resource Costing and Accounting*, 3, 9-19

Chen, M., Cheng, S. & Hwang, Y. (2005). An Empirical investigation of the relationship between intellectual capital and firms' market value and financial performance.*Journal of Intellectual Capital,* 6(2), 159-176.

Choi, W.W., Kwon, S.S, & Lobo, G.J, (2000). Market valuation of intangible assets: *Journal of Business Research*, 49, 35-45.

UNDER PEER REVIEW

Dobija, M. (1998). How to place human resources into the balance sheet. *Journal of Human Resources Costing and Accounting*, 3(1), 83-92.

Flamholtz, E.G. (1985). Human resources accounting, Los Angeles: Jossey-Bass Publishers.

Flamholtz, E.G. (1999). Human resource accounting: Advances, concepts, methods and applications, Boston, MA; Kluwer academic publishers, London.

Hermanson, R.H. (1986*). Accounting for human assets. Research Monograph* No. 99. (Atlanta. Georgia: Business Publishing Division, College of Business Administration, Georgia State University).

Hendriksen, E., S. & Van Breda, M., F. (1992). *Accounting Theory*, 5th Ed. Richard D. Irwin Inc., Homewood, USA.

International Accounting Standard (IAS) 38, Intangible Assets. Retrieved from http://www.iasb.org/NR/rdonlyres/149D67E2-6769-4E8F-976D-6BABEB783D90/0/ias38sum.pdfias38

Kajola, S. O. & Adedeji, S. B. (2011). Human resources accounting: Old myth and new realities. *Babcock Journal of Economics, Banking and Finance*, 1, 110 – 121.

Likert R, & Pyle W. C. (1971). Human resource accounting; A human organizational Measurement approach. *Financial analyst Journal, Jan – Feb, 75-84*

Luthans, F. & Youssef, C. (2004). Human, social and now positive psychological capital management: Investing in people for competitive advantage. *Organizational Dynamics*, 33 (2), 143 – 160.

Mueller, J. M. (2004). Amortisation of certain intangible assets: *Journal of Accountancy*. Retrieved from http://www.journal

Salisu, A. (2011, September). academia.edu. Retrieved from academia.edu web site: https://www.academia.edu/5232138/Human_Resource_Accounting_and_The_Quality_of _ Financial_Reporting_of_Quoted_Service_Companies_in_Nigeria

Srinivasan, R. (2009). Human resources accounting practices in India. Retrieved from http://www.articlesbase.com/human-resources-articles/human-resources-accounting-hra-practices-india-1272765.html

Sydenham, R.W. (1979). *Human Resource Accounting Measurement*. Unpublished MSc Dissertation, University of Birmingham.

UNDER PEER REVIEW

Toulson, P. K & Dewe, P. (2004). HR Accounting as a Measuring Tool. *Human Resource Management Journal,* 14 (2), 75-90.

UNDER PEER REVIEW