



The Effect of Amortizing the Value of Human Resource Cost on the Financial Performance of Nigeria Banks

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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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 the survey research design. Reliability and validity of the data sources were established by the questionnaire. The data were analyzed using the descriptive and Regression statistical technique. 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 ($\beta = 0.3.86$, $t = -1.586$, $p < 0.05$), and FP was significantly impacted by HRAC ($\beta = 0.911$, $t = 4.143$, $p < 0.05$). 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.

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1. INTRODUCTION

The quality of human resources is vital to the success of corporate operations in today's competitive business climate; hence, it is recognized as an asset, a value creator, and a vital source of competitive advantage. The term "human resource" refers to the collective of individuals who work for an organization or a firm. This may be explained by the business community's apparent increasing awareness of the importance that major stakeholders place on corporate activity that is both socially and environmentally responsible [1].

According to Khan [2] the process of determining the cost and value of employees as an intangible asset for the company's financial statements is known as human resource accounting. The contemporary business landscape is characterized by rapidity, which has prompted organizations to assess the functions of intangible assets, specifically human resources, in an organization's operational protocol [3]. Therefore, human resources are essential to the success of the business in both daily operations and achieving organizational goals. The success of the business depends on the human resources' capacity to manage other resources [4], as cited in Jena et al., [3].

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 [5]. 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 [6] 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 [7] 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 [8,9] and Dobija [10] 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 [11]. Therefore, this method can be used to determine the chance of filling each organizational function. Toulson and Dewe [12] 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.

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 Srinivasan, [13] 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 [14]. 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 [15].

- 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.
- 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 future from 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 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.

1.1 Statement of the Problem

According to Ozovehe [16] banks today are faced with a lot of challenges that have affected their performance adversely which requires urgent attention before it leads to a total collapse of the sector as it is one of the sectors that contributes significantly to the growth of the economy.

Like any other company or organization, deposit money banks surely face a variety of challenges, according to Jena et al. [3]. Among the several problems that banks face are how to maintain

exceptional performance, define good performance, and quantify it. If performance management is ignored or used improperly, banks could suffer significant consequences. There are various performance indicators available, some of which are numerical or quantitative and others of which are qualitative. Certain of these characteristics barely matter, while others have a major impact on the financial stability of institutions.

Because of their wide diversity, it is difficult to determine which indicators best capture the state and present situation of banks. Furthermore, there are other variables that affect banks' performance but are not under their control. They are frequently known as systemic risk. As a result, companies generally employ a range of Key Performance Indicators (KPIs) to monitor both previous and current performance as well as pinpoint areas that may require improvement. In this highly competitive global climate, banks need to manage their overall performance by closely monitoring key indicators of their sustainability [2].

1.2 Objective of the Study

The objective of the study was to investigate the effect between Amortization of Human Resource Cost and Financial Performance of Banks with specific objectives to investigate:

1. The effect between Amortization of Human Resource Cost and Net Profit Margin of Banks in Nigeria and
2. The effect between Amortization of Human Resource Cost and Earnings Per Share of Banks in Nigeria

1.3 Research Hypotheses

H₀₁: There is no significant effect between Human Resource Cost and Net Profit Margin of Banks in Nigeria

H₀₂: There is no significant effect between Human Resource Cost and Earnings Per Share of Banks in Nigeria

1.4 Conceptual Review

As Brummet [5] 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 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.

1.4.1 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 [17] 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:

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

1.4.2 Concept of amortization of human resources cost

Mueller [18] 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 revenue-generating use of them. Mueller [18] 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 [5] 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. THEORETICAL REVIEW

2.1 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:

2.2 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 [19] 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.

2.3 Empirical Review

Brummet [5] 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 [5] 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 [5]. 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 [20] 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 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. METHODOLOGY

The study adopted the survey research design as used in the studies of Kajola and Adedeji [21] and Salisu [22] used a survey and descriptive design. The research tool was a questionnaire that was divided into sections A and B. The essence was to illicit responses from respondents as it relates to the "effect of Human Resource Accounting on Financial Performance of Nigerian Banks" [23].

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 descriptive and regression statistical technique.

3.1 Model Specification

The model is as specified below:

$$Y = f(X)$$

Y = Financial Performance (FP)
 X = Amortization of Human Resource Cost (AHRC)
 $FP = F(x_1, x_2)$

Where:

- FP = Financial Performance
- $y_1 = NPM =$ Net Profit Margin
- $y_2 = EPS =$ Earnings Per Share
- $x_1 = HRAC =$ Human Resource Acquisition Cost
- $x_2 = HRTC =$ Human Resources Training Cost
- $x_3 = HRWC =$ Human Resources Welfare Cost
- HRAC = Human Resources Acquisition Cost
- HRTC = Human Resources Training Cost
- HRWC = Human Resources Welfare Cost
- $NPM = f(HRAC, HRTC)$
- $EPS = f(HRAC, HRWC, HRTC)$

$$NPM_i = \beta_0 + \beta_1HRAC_i + \beta_2HRTC_i + u_i \dots \dots \dots \text{Model 1}$$

$$EPS_i = \beta_0 + \beta_1HRAC_i + \beta_2HRWC_i + \beta_3HRTC_i + u_i \dots \dots \dots \text{Model 2}$$

4. RESULTS, ANALYSIS AND INTERPRETATION

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 1. Descriptive analysis on human resource training cost

S/N	Training cost	SA (%)	A (%)	PA (%)	PD (%)	D (%)	SD (%)
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 organization's financial performance.	14(31.1)	28(62.2)	3(6.7)	-	-	-
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	10(22.2)	25(55.6)	5(11.1)	-	3(6.7)	-

asset would have a favorable impact on the organization's financial performance.

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)
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Table 2. Descriptive analysis on human resource acquisition cost

S/N	Acquisition Cost	SA (%)	A (%)	PA (%)	PD (%)	D (%)	SD (%)
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: Author's Computation (2024)

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 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 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.

Table 3. Descriptive analysis for 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)	-
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)	-	-	-	-

S/N	Financial Performance	SA (%)	A (%)	PA (%)	PD (%)	D (%)	SD (%)
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)
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)

S/N	Financial Performance	SA (%)	A (%)	PA (%)	PD (%)	D (%)	SD (%)
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: Author's Computation (2024)

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.

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.

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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.

Table 4 above shows the relationship between the predictor and the dependent variable. After accounting for error, the coefficient of determination (R^2) shows that 76% of the variations in the Net profit margin is as a result of the interplay between the independent variables as depicted with Human Resource Acquisition Cost (HRAC) and Human Resource Training Cost (HRTC). Furthermore, given the F statistics value of 9.064, which suggests that the null hypothesis—that writing off human resource costs has no significant effect on banks' financial performance—should be accepted, the alternative hypothesis—which maintains that writing off human resource costs has a significant effect on banks' financial performance—should be rejected.

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:

$$NPM_i = \beta_0 + \beta_1HRTC_i + \beta_2HRAC_i + \mu_i$$

$$NPM_i = -2.310 + 3.386HRTC + 5.825HRAC + \mu_i$$

The equation above illustrates the link between Net Profit Margin and human resource costs. The b-values show the relationship between Net Profit Margin 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.

Human resource training cost ($\beta = 3.386$): 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 ($\beta = 5.825$): this shows that a unit increase in human resource acquisition costs will result in a 5.825-unit rise in net profit.

Table 4. Regression result of the effect between amortization of human resource cost and net profit margin

Model Summary			
R	R ²	Adjusted R Square	F - value
.926	.858	.763	9.064
Predictors: (Constant), Human resources cost			

Source: Author's Computation (2024)

Table 5. Regression result of the influence of human resource cost and net profit margin

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
Human resources acquisition cost	5.825	1.406	.911	4.143

Dependent variable: Net Profit Margin

Source: Author's Computation (2024)

Table 6. Regression analysis of human resource cost and earnings per share

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: Earnings per Share

Source: Author's Computation, (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:

$$EPS_i = \beta_0 + \beta_1 HRTC_i + \beta_2 HRWC_i + \beta_3 HRAC_i + \mu_i$$

$$EPS = 29.798 - 90.255 HRTC + 36.010 HRWC - 90.255 HRAC + \mu_i$$

The above equation shows the link between EPS 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 ($\beta = -90.255$): 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 ($\beta = -90.255$): this shows that a unit increase in this expense will translate into a -90.255-unit decrease in earnings per share.

5. DISCUSSION

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.

6. CONCLUSION

The results revealed the following:

1. The reporting and management of human

resource costs on bank financial statements are currently unregulated in the banking sector.

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

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

From the results it was concluded that there was no significant effect between amortization of Human Resource Cost and Financial Performance of Banks.

7. 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 study recommended the following:

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. In order to fully access the banks' financial performance, all banks should implement the amortization of human resource expenditures.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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