

Corporate Determinants and Human Resource Accounting Disclosure of Listed Banks in Nigeria

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Abstract

The study investigates whether a significant relationship exists between corporate determinants and human resource accounting disclosure of selected banks in Nigeria. It also looks at whether human resource accounting disclosure is influenced by banks profitability, firm size and listing age. Data were obtained from the annual reports and corporate websites of the selected banks for the periods between 2014 and 2018. In testing the research hypotheses, the study engaged the use of panel least square regression in analysing the data. The findings revealed that there is a significant positive relationship between profitability, firm size and human resource accounting disclosure. However, listing age exhibited no relationship with human resource accounting disclosure. The study recommends that listed banks in Nigeria should be encouraged to mandatorily disclose human resource accounting information so as to enhance their social reputation and reduce the potential agency costs.

Also, the study contributes to the existing models, in terms of depicting specific attributes that measure the determinants of human resource accounting disclosure of listed banks in Nigeria.

Keywords: human resource accounting disclosure, firm size, listing age, profitability

1. Introduction

Employees are one of the most relevant components of any organization. The soul of any organisation is not physical assets but the organ that propels them. The personnel who handle the physical assets of the organisation keep the organisation alive. There is no difference of opinion about the fact that people are the relevant components of an entity. Sarkar, Alam and Ali (2016) observed that every aspect of a firm's activities is determined by the competence, motivation and general effectiveness of its human organizations. Consequently, the public concern for the association between corporate organisations and the employees has culminated to the sudden appearance of human resource accounting disclosure (Khadijeh, 2015).

The emergence of human resource accounting in the 1960s has provided researchers with an opportunity to find out the benefits derivable by organisations from their connection with the employees (Athanasios, Antonios & Despina, 2013). Human resource accounting, according to Sarkar *et al.*, (2016), is the process of establishing and estimating data about human resource and communicating this information to interested parties. Human resource accounting disclosure is an important process used by companies to communicate information about employees who possess knowledge and skills that give future advantages to the organization and is affected by a diversity of factors such as profitability, firm size and listing age (Ullah & Karim, 2015). These factors have been argued by researchers as having a role in determining human resource accounting disclosure (Sarkar *et al.*, 2016).

Consequent upon the decision to disclose information about human resource, companies globally have started seeking ways of motivating their employees through the communication of qualitative information about their activities (Akbas, 2014). This has, therefore, increased studies on human resource accounting disclosures by corporate organisations (Sarkar *et al.*, 2016). Nevertheless, differences in human resource accounting disclosures have been looked at in relation to company's characteristics like industry type, global reporting initiatives, listing status in Nigeria (John, 2016; Ojokuku & Oladejo, 2017). Although, there is lack of studies on the attributes of human resource accounting disclosures in Nigeria in terms of profitability, firm size and listing age. Therefore, the need to understand the agents affecting human resource accounting disclosure is required purposely to improve accountability and particularly for comprehensive disclosure by individual organisations.

Corporate human resource accounting disclosures may, therefore, be looked at as a means of legitimising companies to their stakeholders, as companies try to convince the general public that they consider stakeholders' interests and share mutual purposes (Mathews, 2004; Deegan, 2007). In literature, a detailed view of human resource accounting disclosures has been taken, with some authorities (Abhayawansa, 2008; Ullah & Karim, 2015; Sarkar, Alam & Ali, 2016)

interpreting human resource accounting disclosures as corporate attempts to legitimise business activities. Despite this, the disclosure of human resource accounting emerged as part of corporate obligation on a voluntary basis for companies to demonstrate their accountability to employees and stakeholders (Ullah & Karim, 2015). As a result, the desire for human resource accounting disclosure is on the increase (Athanasios *et al.*, 2013).

In response to this desire, companies have reacted with a significant increase in voluntary disclosures through their corporate publication channels, such as annual reports (Unerman, 2000), and/or other communication media like corporate web pages, company brochure and press releases on human resource issues (Adnan, Staden & Hay, 2010). As a result, there is dramatic increase in corporate human resource disclosure (Cormier, Ledoux & Magnan, 2011). However, this varies widely from company to company in line with period of time (Campbell, Craven & Shrides, 2003).

To this end, many developed countries like Australia, Canada, and the United States of America have been greatly concerned with the factors that determine human resource accounting disclosure (Athanasios *et al.*, 2013). However, in spite of Nigeria being one of the countries that is sensitive to human resource development, coupled with the increasing level of stakeholders' agitation for human capital development, not much has been done in the area of corporate determinants of human resource accounting disclosure. In addition, the accounting systems as well as regulatory bodies have failed to address human resource issues (Oyewo, 2013). Also, there is hardly any pronouncement from the accounting standard body on the issue of human resource disclosure, as the professional accounting bodies in the developing countries (like Nigeria) are yet to give human resource accounting information the attention it deserves (Adeyemi & Ayanlola, 2015). The accounting systems have also failed to address the various needs of various stakeholders.

Moreover, most empirical studies carried out in the developed and developing economies, including Nigeria (Athanasios *et al.*, 2013; Sarkar *et al.*, 2016; John, 2016; Ojokuku & Oladejo, 2017) have produced inconsistent and mixed results. Hence, the results of most studies conducted are either reporting positive or sometimes negative results. Also, methodological weaknesses exist in terms of one medium of reporting (i.e. annual report) and short period of observation in most prior studies (Oyewo, 2013; Ullah & Karim, 2015).

In spite of the increase in human resource disclosure, corporate organisations' desire to satisfy diverse stakeholders in respect of information is low (Athanasios *et al.*, 2013; Ojokuku & Oladejo, 2017). Managers of corporate organisations always consider their own interests in the discharge of their duties. Hence, there is lack of evidence in Nigeria to explain the interaction between corporate determinants and their disclosure behaviour. Thus, a gap exists due to prior studies that have not comprehensively addressed these topical issues. In the light of the above, this study basically examines the relationship between corporate determinants and human resource accounting disclosure of the banking industry in Nigeria.

2. Literature Review and Hypothesis Development

2.1 Determinants of Human Resource Accounting Disclosure

Human resource accounting disclosure and the extent of corporate determinants in Nigeria have raised doubts about the existence of human resource accounting activities in Nigeria (Ojokuku & Oladejo, 2017). Hence, a claim that the focus should now be more on improving the human resource accounting disclosure, particularly to boost shareholder's insight and influence corporate behaviour in organization (John, 2016; Ojokuku & Oladejo, 2017). Therefore, human resource accounting information disclosure has the ability to increase shareholder's wealth and can be considered as one of the essential parts of good corporate reporting (Athanasios *et al.*, 2013).

Consequently, human resource accounting disclosure needs to be converged to improve disclosure quality. This situation has been linked with the recognition that good human resource accounting disclosure demands consideration of the impact an organisation has on the employees (Oba & Fodio, 2012). This has led to a considerable debate in recent times the desire for strong human resource accounting disclosure with countries globally drawing up guidelines and modality to strengthen corporate disclosure systems (Ullah & Karim, 2015).

The definition human resource accounting has been discussed in previous studies (Ullah & Karim, 2015; Sarkar *et al.*, 2016). The Report of the Committee on Human Resource Accounting (American Accounting Association, 1973) defines this as "the process of establishing and estimating data about human resources and communicating same to the interested parties". Flamholtz (1973) defines it as "accounting for people as organisation resources". Therefore, human resource accounting is seen to influence the quality of accounting information (Khadijeh, 2015) that has a significant impact on investors' confidence (Deegan, 2007).

Human resource accounting disclosure, therefore, is the communication and demonstration of a company's commitment to enhancing human resource performance to its stakeholders (Oba & Fodio, 2012). As a result, corporate determinants such as profitability, firm size and listing age have been seen to impact positively on the human resource accounting (Athanasios *et al.*, 2013; Ullah & Karim, 2015). In this study, therefore, the corporate determinant variables to be examined are profitability, firm size and listing age.

2.2 Theoretical Framework

This study is hinged on stakeholder theory as a basic motive to minimise the disclosure gap by meeting stakeholders' expectations concerning human resource accounting disclosure. In addition, the theory has been generally employed in accounting literature as providing strong justification for the factors affecting human resource accounting disclosure (Athanasios *et al.*, 2013; Sarkar *et al.*, 2016). This is due to the fact that stakeholders are powerful over company's resources and they are interested in human resource behaviour of companies (Athanasios *et al.*, 2013). Furthermore, stakeholder theory provides means of dealing with multiple stakeholders with multiple conflicting interests. Managing these conflicts necessitates the utilisation of voluntary disclosure, particularly human resource accounting

disclosure by managers to communicate with stakeholders (Micah, Ofurum & Ihendinihu, 2012).

Conclusively, stakeholder theory regards human resource accounting disclosure as a means by which stakeholders are motivated to support the continued existence of the organisation (Evangelinos & Skouloudis, 2014). However, Ullah and Karim (2015) concluded that legitimacy theory was inadequate to fully explain corporate human resource accounting disclosure as it provides limited human resource information. Similarly, agency theory is seen as a cause of information gap (Enofe, Mgbame, Otuya & Ovia, 2013) as managers could conceal negative human resource accounting information (Athanasios *et al.*, 2013). Hence, stakeholder theory is adopted as it provides a useful framework to evaluate the determinants of human resource accounting disclosure among quoted banks in Nigeria.

2.3 Review of Prior Studies

In this subsection, the numbers of studies that have been advanced on corporate determinants and human resource accounting disclosure are discussed.

2.3.1 Profitability and Human Resource Accounting Disclosure

Within the context of human resource accounting disclosure, the central issue often discussed is whether profitability can be a significant factor in determining human resource accounting disclosure. Profitability is the ability to make profit from all the business activities. It shows how effective management is to make profit using resources available. According to Harward and Upton (2012), profitability is the ability to use a given investment to earn a return.

In literature, a study argues that profitability improved human resource accounting disclosure. Currently, no verifiable evidence exists on the relationship between profitability and human resource accounting disclosure in Nigeria. Though, a significant positive relationship between profitability and human resource accounting disclosure has been consistently found by prior studies such as Syed (2009), Ahangar (2011), Rehman, Rehuman and Zaliad (2011), Micah *et al.*, (2012), Akintoye (2012), Enofe *et al.*, (2013) and Aggarwal and Verma (2020). However, Athanasios *et al.*, (2013), Ullah and Karim (2015) and Sarkar *et al.*, (2016) found an insignificant association between profitability and human resource accounting disclosure using regression analysis. Given the impact of profitability on human resource accounting disclosure, the following hypothesis is tested:

H₁: There is no significant relationship between profitability and the extent of human resource accounting disclosure of the banking industry in Nigeria.

2.3.2 Firm Size and Human Resource Accounting Disclosure

Limited studies have been undertaken to investigate the relationship between the firm size and human resource accounting disclosure. Firm size can be viewed in terms of assets owned by the organisation because opportunities abound to the firm as a result of the assets acquired which are also related to production efficiency (Hossain, 2012). Particularly, a number of studies over the past decades test the influence of firm size on the level of disclosure. Most authorities demonstrated a positive association between company size and human resource

disclosure (Akintoye, 2012; Hossain, Khan, & Haque, 2018).

To this end, Cooke (1991) and Ahmed and Nichollas (1994) showed a significant relationship between firm size and voluntary disclosure. Ismail (2002), Silva and Christensen (2004), Spiegel and Yamori (2004) and Hossain (2010) exhibited a positive relationship between size and the level of human resource disclosure, while McNally, Lee and Haseldine (1982) concluded that size is an important characteristic in establishing the leaders in voluntary disclosure practice. However, no relationship was found between firm size and human resource accounting disclosure by prior studies such as Athanasios *et al.*, (2013), Ullah and Karim (2015) and Sarkar *et al.*, (2016). As a result, firm size is being considered as a determinant of human resource accounting disclosure. Hence, the following hypothesis is examined:

H₂: There is no significant relationship between firm size and the extent of human resource accounting disclosure by the banking industry in Nigeria.

2.3.3 Listing Age and Human Resource Accounting Disclosure

Listing age is an important factor to evaluate human resource accounting disclosure. Athanasios *et al.*, (2013) elaborates reason why company's human resource information disclosure can be affected by its listing age. The reasons for these are: immature companies can suffer competitive disadvantage; collection and reporting of information can be costly and difficult for immature companies; and there may not be comprehensive information for the younger companies. Therefore, listing age is the length of time a company has been listed on a stock market. Thus, listing age was measured by the number of years since listed on the Nigeria Stock Exchange.

Empirically, Sarkar *et al.* (2016) showed a positive association between listing age and human resource disclosure in Bangladesh banking sector. However, Athanasios *et al.* (2013) and Ullah and Karim (2015) exhibited no relationship in the annual reports of banking sector of Greek and Bangladesh using regression analysis. Therefore, these results suggest the following hypothesis:

H₃: There is no significant relationship between listing age and the extent of human resource accounting disclosure of the banking industry in Nigeria.

3. Methodology

This study adopted the use of the secondary method of data collection from annual reports and corporate website of listed banks in Nigeria. This is as a result of the fact that annual reports are audited, mostly consistent, reliable and regular medium to communicate with stakeholders (Ullah & Karim, 2015; Sarkar *et al.*, 2016; Jinadu *et al.*, 2018). The population consisted of 16 banks quoted on the Nigeria Stock Exchange as at 31st December 2018. These banks were considered appropriate for this very study because they are by law required to annually submit their published financial statements to the Securities and Exchange Commission (SEC).

To achieve this purpose, a human resource accounting disclosure index (HRADI) was used to

4. Discussion of Findings

The descriptive statistics as shown in Table (4.1) for the sample banks indicate that the total human resource accounting disclosure represents 16.7% of the maximum human resource disclosure checklist items. This result is very low like the study by Bowrin (2018). As a result, it is characterised by self-constructed disclosure index, lack of awareness and lack of mandatory regulation.

Moreover, skewness and kurtosis reveal that all the variables are normally distributed at 5% level of significance. In addition, the skewness and kurtosis statistics of the variables are within the normally distributed range of ± 1.96 and ± 3 . (Haniffa & Hudaib, 2006). Thus, the variables suggest normality. In addition, the data demonstrated a high consistency as the mean and median are within the minimum and maximum scores.

Furthermore, Table (4.2) presents a correlation coefficient(r) result among the variables. A significant relationship is identified at a confidence level of 95%. Results indicate that at this level of human resource accounting disclosure, there is a significant positive relationship between human resource accounting disclosure and its determinants. The Pearson correlation matrix shows that the correlation coefficients are less than 0.8, the limit correlation percentage commonly suggested by prior studies after which multicollinearity is likely to exist (Hossain, Islam & Andrew, 2006).

Similarly, the result of variance inflation factor (VIF) further tests the presence of multicollinearity. Accordingly, Gujarati (2003) found no problem about multicollinearity provided the VIF of the independent variables are less than 10 and the tolerance coefficients greater than 0.10. Table (4.3) displays the highest VIF as 1.35 and the least tolerance coefficient was 0.740. Hence, the results of VIF and tolerance coefficients show an acceptable level of multicollinearity among the variables. These findings suggest that there is no problem about correlation.

Table 4.1. Result of Descriptive statistics of the Variables

| | HRADI | PROF | FSIZE | LAGE |
|--------------|-----------|-----------|----------|----------|
| Mean | 16.71250 | 0.117125 | 1771119. | 15.50000 |
| Median | 17.00000 | 0.120000 | 1338678. | 11.00000 |
| Maximum | 19.00000 | 0.580000 | 5595253. | 47.00000 |
| Minimum | 11.00000 | -0.640000 | 12240.00 | 0.000000 |
| Std. Dev. | 1.494240 | 0.210275 | 1363537. | 12.89196 |
| Skewness | -0.698904 | -0.788656 | 0.961920 | 1.252451 |
| Kurtosis | 2.327513 | 2.660004 | 2.902795 | 3.013092 |
| Jarque-Bera | 87.31652 | 31.87844 | 12.37242 | 22.12753 |
| Probability | 0.000000 | 0.000000 | 0.002058 | 0.000016 |
| Sum | 1337.000 | 9.370000 | 1.42E+08 | 1240.000 |
| Sum Sq. Dev. | 176.3875 | 3.493039 | 1.47E+14 | 13130.00 |
| Observations | 80 | 80 | 80 | 80 |

Source: Authors' computation from E-view 9.5

Table 4.2. Correlation matrix between the variables

| | HRADI | PROF | FSIZE | LAGE |
|-------|----------|----------|----------|----------|
| HRADI | 1.000000 | | | |
| PROF | 0.427198 | 1.000000 | | |
| FSIZE | 0.305503 | 0.486344 | 1.000000 | |
| LAGE | 0.070639 | 0.179657 | 0.053304 | 1.000000 |

Source: Authors' computation from E-view 9.5

Table 4.3. Variance Inflation Factor (VIF)

| Variable | VIF | Tolerance 1/VIF |
|---------------|------|-----------------|
| Profitability | 1.35 | 0.740 |
| Firm Size | 1.31 | 0.762 |
| Listing Age | 1.03 | 0.966 |
| Mean VIF | 1.23 | |

Source: Authors' computation from E-view 9.5

Table 4.4. Panel Least Square Regression Result for the Hypotheses

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|--------------------|-------------|-----------------------|-------------|--------|
| C | 16.16340 | 0.309339 | 52.25146 | 0.0000 |
| PROF | 2.595874 | 0.850299 | 3.052894 | 0.0031 |
| FSIZE | 1.40E-07 | 1.29E-07 | 1.085334 | 0.0212 |
| LAGE | -0.000210 | 0.012135 | -0.017287 | 0.9863 |
| R-squared | 0.795013 | Mean dependent var | 16.71250 | |
| Adjusted R-squared | 0.763238 | S.D. dependent var | 1.494240 | |
| S.E. of regression | 1.366852 | Akaike info criterion | 3.511604 | |
| Sum squared resid | 141.9896 | Schwarz criterion | 3.630706 | |
| Log likelihood | -136.4642 | Hannan-Quinn criter. | 3.559355 | |
| F-statistic | 6.137166 | Durbin-Watson stat | 2.134159 | |
| Prob(F-statistic) | 0.000857 | | | |

Source: Author's computation from E-View 9.5

Table (4.4) shows the results of the regression model used for the three hypotheses. A review of the regression analysis results on hypothesis one (H_1) shows that there is a significant positive relationship between profitability and human resource accounting disclosure. The findings show that the P-value (0.003) and T-statistic (3.053) is lower than the 5% significant level. Hence, the null hypothesis (H_1) is rejected and alternate hypothesis accepted. This implies that banks' profitability enhances the disclosure of human resource accounting

information to various stakeholders. This result is consistent with the studies by Micah *et al.* (2012), Akintoye (2012), Enofe *et al.* (2013) and Aggarwal and Verma (2020) that showed a significant relationship between profitability and human resource accounting disclosure. Nevertheless, the results of the studies by Athanasios *et al.*, (2013), Ullah and Karim (2015) and Sarkar *et al.*, (2016) revealed no relationship.

Similarly, firm size reveals a significant positive relationship with the extent of human resource accounting disclosure. The results reveal that the P-value (0.021) and T-statistic (1.085) is lesser than 5% significant level. Hence, the null hypothesis (H_2) is rejected and alternate hypothesis accepted. This indicates that banks with larger firm size encourage management to disseminate more human resource information. This result is in conformity with the studies by Silva and Christensen (2004), Spiegel and Yamori (2004) and Hossain (2010) that showed a positive relationship between firm size and human resource accounting disclosure. However, the study contradicts the work of Athanasios *et al.*, (2013), Ullah and Karim (2015) and Sarkar *et al.*, (2016) where an insignificant negative relationship was found.

However, findings from the third hypothesis show that listing age displays an insignificant negative relationship with the extent of human resource accounting disclosure. This is evident in the p-values (0.986) and T-statistic (-1.017) of the Panel regression technique that were above 5% significant level. Therefore, the result supported the acceptance of null hypothesis (H_{03}) contrary to the alternate hypothesis with respect to listing age. This suggests that a reduction in the duration a firm is listed on the Stock Exchange is associated with lower level of human resource accounting disclosure. The finding is in conformance to the existing research results of Athansioos *et al.*, (2013) and Ullah and Karim (2015) where an insignificant relationship between listing age and human resource accounting disclosure was found. However, a significant relationship between listing age and human resource accounting disclosure existed in the study by Sarkar *et al.*, (2016) of listed companies in Bangladesh.

5. Conclusion and Recommendation

This study basically examines the relationship between corporate determinants and human resource accounting disclosure in annual reports and corporate website of listed banks in Nigeria. It also looks at whether human resource accounting disclosure is influenced by profitability, firm size and listing age. The study uses three hypotheses in testing human resource accounting disclosure and its determinants. The results from our test reveal a significant positive relationship between profitability, firm size and human resource accounting disclosure. In addition, listing age exhibits no significant association with the level of human resource accounting disclosure. Hence, the study concludes that compliance with international best practices on human resource accounting disclosure will strengthen profitability, firm size and listing age and result in more adequate information disclosure to the needs of stakeholders, thereby reducing reporting-gap.

On the basis of the foregoing, the study hereby recommends that listed banks in Nigeria are to be encouraged to mandatorily disclose human resource accounting information so as to

enhance their social reputation and reduce the potential agency costs. However, this study does have its own limitations and, therefore, the conclusions need to be interpreted with caution, as it would serve as an opportunity for further examination in this area of research. As a result, this research is limited to a period of observation of five years data from the Nigeria Stock Exchange. Also, the study only captured listed banks, leaving unlisted banks in the Nigerian economy. In addition, only three determinants are covered in this study. Hence, future study can investigate other variables that are not included in the study such as stakeholder power, growth opportunity and liquidity.

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Appendix 1

Human Resource Accounting Disclosure Check List Items.

| Number | Disclosure items |
|--------|---|
| 01 | Separate HRA statement |
| 02 | Total value of human resource |
| 03 | Number of employees |
| 04 | Human resource policy |
| 05 | Training and development |
| 06 | Management succession plan |
| 07 | Employment report |
| 08 | Employee value added in value added statement |
| 09 | Human resource development fund |
| 10 | Employees/workers fund |
| 11 | Retirement benefits policy |
| 12 | Performance recognition |
| 13 | Superannuation fund |
| 14 | Other employees' benefits |
| 15 | Health, safety and environment at work |
| 16 | Employee involvement |

| | |
|----|--|
| 17 | Directors' profile |
| 18 | Number of persons employed, detailed per division/department |
| 19 | Human rights and labor practices disclosure |
| 20 | Remuneration policy for directors and employees |
| 21 | Employees benevolent fund |
| 22 | Employees group insurance |

Source: Sarkar, Alam and Ali (2016)

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