Human Resource Accounting and Financial Performance of Quoted Manufacturing Companies in Nigeria in Post International Financial Reporting Standards (IFRSs) Era

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Abstract

This study was conducted to examine the influence of costs incurred in human resource on financial performance of listed manufacturing companies in Nigeria. This was based on the fact that the numerous costs incurred on human resource usually show the efforts of directors or managers in improving upon financial performance of listed companies. The ex-post facto research design was adopted because the study was quantitative and required secondary data. The population of this study was thirty-three (33) manufacturing companies drawn from two (2) sub-sectors such as consumer goods and industrial goods entities listed on the floor of Nigerian Exchange Group (NGX) as at 31st December, 2022. Twenty-six (26) listed manufacturing entities were sampled for the study based on availability of data. Panel data were collected from the financial statements of manufacturing companies sampled for the study. The variables of this study were Human Resource Accounting (HRA) and Financial Performance. The dependent variable was financial performance represented by profit after tax (PAT) and the independent variable, regarded as costs of human resource accounting were measured by Employees' Salaries and Wages (EWS) and Directors' Remuneration (DRM). Firm Size (FSZ) was selected as a control variable. Data were analyzed using descriptive statistics and multiple linear regression statistical tools. Precisely, the fixed effect panel regression approach was employed in this study. From the analyses, it was observed that ESW and DRM had positive and significant influence on PAT of quoted manufacturing companies in Nigeria. In line with the findings, it was concluded that human resource accounting had significant influence on financial performance of quoted manufacturing companies in Nigeria. Amongst others, it was recommended that both employees' salaries and wages and directors' remuneration should be improved continuously for the purpose of providing them with focused *mind on the business activities as well as formulating and implementing sound policies by the directors.*

Keywords: *Human Resource Accounting, Financial Performance and Quoted Manufacturing Companies.*

INTRODUCTION

The term, "human resource accounting (HRA)" is made up of basically human resource and accounting. Human resource is a term which refers to the set of individuals who make up the workforce of a company. On the other hand, human resource accounting is the process of recognizing, classifying and quantifying data about human resources and communicating this information to numerous stakeholders of companies. In every entity, there must be active labour force that is capable of driving the operational activities of the company. Labour forces consist of total number of employees or all those employed to carry out the functional activities of an entity that require their attention of human. Human resource accounting (HRA) is an aspect of an accounting that take into consideration the activities of various employees of a company. Human resource accounting (HRA) also is described as type of accounting that take into consideration all the costs incurred or spent on all the employees of an entity (Enofe *et al.*, 2013). The various costs incurred in maintaining the required number of employees in an entity include training and development costs, travelling costs for employees, costs of medical facilities of employees, renumeration (salaries and wages) of employees and directors, gratuities of employees, pensions of employees and among others.

Human resource accounting and profitability of the listed companies is an interesting area in accounting discipline that attract the attention of various researchers both nationally and internationally. One of the motives that attract the attention of researchers in this area is owing to the fact that greater portion of costs are often committed by companies to the maintenance and development of human beings who provide these resources (Ofurum and Adeola, 2018). Entities that incur costs in acquisitions of human resources expect that their performance, in terms of profits, should be raised because it is believed that the higher of these costs should encourage employees to put in their best to improve productivity of the companies. However, the expectations of entities and that of the employees are not always in equilibrium. For instance, the various employees might just occupy positions in companies with the intention of earning salaries and wages even when there is increment of remuneration for the employees (Bansal and Sharma, 2019). When this occurs, the profitability of these firms is in doubt to be affected substantially because the employees do not have interest for development of the companies and vice versa. This is also applicable to the directors of entities.

When this occur, the profitability of these companies might be improved significantly and vice versa. In larger entities like the listed ones, when more employees are engaged to carry out tasks in the companies, it is expected that financial performance, in terms of profitability, should be raised because there is more strength to undertake these tasks effectively and efficiently. On the contrary, more employees can be engaged in entities' activities and huge amount of costs are incurred on them, yet the financial performance is not improved. This could be because of the fact that excess employees have been engaged beyond the available tasks of companies or each employee do not discharge their duties assigned to them diligently for the growth of the entities. This necessitates the conduct of the present study to determine the extent to which costs spent on human activities have influence financial performance of quoted manufacturing companies in Nigeria in post IFRS era.

The main objective of the study was to examine the influence of various costs incurred in human resource on financial performance of quoted manufacturing companies in Nigeria in post IFRS era. The specific objectives of the study were to:

i. evaluate the influence of employees' salaries and wages on profit after tax (PAT) of listed manufacturing companies in Nigeria in post IFRS era.

ii. ascertain the influence of directors' remuneration on profit after tax (PAT) of listed manufacturing companies in Nigeria in post IFRS era.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Financial Performance

Financial performance is simply the measurements of success or failure of commitment of funds (money) into activities that can yield adequate returns (Pandey, 2010; Bashir *et al.*, 2013). It is the quantification of returns from actions involving money or funds contributed by equity shareholders and other investors/stakeholders. In accounting, there are different measures of financial performance in ratios, and they include profitability, liquidity, leverage, investment and efficiency financial performance. Financial performance when focusing on profitability is the measurement of how far the profits of a company is or to what extent the profits of an entity has improved (Demirgüneş, 2016); financial performance when looking at the liquidity position of an entity is the quantification of short-term solvency of a company; financial performance when talking about the leverage or capital structure of a company is the measurement of the association between equity and debt capital (Rajin, 2012 and Rajkumar, 2017); financial performance in the view or perspective of investment is the measurement of how far shareholders' funds are growing and financial performance in terms of efficiency is the measurement of how efficient a firm is in utilization of assets in generating revenue or profits.

Growth in financial performance has a greater influence on the shareholders' wealth (Fajaria and Isnalita, 2018). For instance, when there is increase in profitability, the Dividend Per Share (DPS) for shareholders could be improved as well and so also, retention of profits in the same period can also improve (Karami and Akhgar, 2014). When the Dividend Per Share (DPS) of shareholders increases, their wealth must definitely improve in line because of the fact that adequate returns are received. On the contrary, when larger profits are retained, shareholders' funds must be improved as well, which can drive the market value of shares of companies and eventually increase in shareholders' wealth. Thus, shareholders of companies expect that profitability is raised continuously to ensure that their wealth are raised as well (Al-Hanini, 2018).

In terms of profitability of firms, there are various financial performance indicators. Net profit is one of those fundamental financial performance indicators (Pandey, 2010). Net profit is defined as the difference between revenue, cost of sales, administration expenses, distribution costs, finance costs and income taxes of an entity for a particular period of time (Demirgüneş, 2016). Net profit is often seen as the amount available to the shareholders (both preference and equity shareholders) that can either be distributed or retained for future growth of the company. Net profit made by a company from operation is also regarded as profit after tax (PAT). For the fact that the numerous costs incurred in human resource of quoted manufacturing companies in Nigeria are expressed in naira, the adoption of PAT will be considered suitable as both the dependent and the independent variables are on the same bases. The empirical result to be achieved from the dependent and independent variables presented on the same bases will be of less spuriousness.

Also, the costs incurred on human resource in any organization are expected to influence upon profit for the year also regarded as profit after tax in both short and long run. Specifically, the numerous costs spent on human resource are usually regarded as investments and thus, their benefits are often seen more on the long run than the short run. For this reason, the benefits of investing adequately to maintain the wellbeing and develop employees are usually expected to influence upon PAT positively in future (Inua and Oziegbe, 2018). For an entity that does not cater adequately for the wellbeing of the employees or human resource, the PAT might not be influenced by the minimal investments made on employees. PAT is fundamental proxy of financial performance in this study because the influence of the numerous costs of human resource is expected to be seen on the level of PAT. This is why the researcher of the present study considered the PAT as a suitable financial performance indicator used in this study.

2.1.2 Meaning of Human Resource Accounting

Human resource is a critical factor of production and had been commonly known and regarded as all human efforts, whether skilled, semi-skilled or unskilled that is often needed in any production process to convert raw materials into finished goods that are consumable by various individuals (Ofurum and Adeola, 2018). It is an accounting phenomenon which denotes the group of individuals who constitute the labour force of an entity. Human resource is made up drives, skills, talents and knowledge of group of persons which are used in production process to transform raw materials into usable forms which are demanded by the general public or rendering of valuable services to companies with the common consideration of salaries and wages (Fajaria and Isnalita, 2018). The driving forces used in carrying different operational activities in entities are regarded as human forces. In today's competitive business environment, the progress of any company could, in one way, relate to how effective and efficient the company is able to manage the available workforce and organize the employees for adequate production of commodities.

The success of an entity also has to do with the ability to coordinate the available manpower alongside with other factors of production in order to achieve optimal benefits for the company. This is why human resources are regarded as energies, skills, talent and knowledge of people which are possibly applied to the production of goods or rendering useful services. With the perception of human resource in an entity, regards are placed on people based on factors like, experience, education, psychological traits, and as well as future earning power (benefits) to the company (Inua and Oziegbe, 2018). The attitude of non-accounting of human resources and the change occurring therein, of an entity, might provide a poor picture of the profits of the company. To ensure sustainable growth and development of any company, the efficiency of people must be enlarged in the right perspective. Without human resources, the other resources cannot be operationally coordinated effectively (Bassey and Topang, 2012). The skills and knowledge of the employees of companies determine how healthy entities are in eyes of the general public.

Having looked at the meaning of human resource, it is appropriate to understand the meaning of human resource accounting. Human resource accounting is defined as a branch of accounting that is concerned with the process of identifying/collecting, recording, classifying and measuring data about human resources and communicating the information to interested parties for the purpose of decision making (Ekundayo and Odhigu, 2016; Al-Hanini, 2018). Human resource accounting has a lot to do with the measurement in monetary term the amount of money spent by companies as investments in human resources for the purpose of raising the employees' performance of the entities. This is owing to the fact that as employees' performance are improved, so also, the performance of the entire or overall entities must certainly be improved and a well-designed system of human resource accounting has a greater tendency to contribute substantially to the internal decisions of companies which in turn, can affect the overall growth of entities optimistically (Inua and Oziegbe, 2018). This is why professional accounting firms that are human resource oriented are of significant benefits to listed companies today.

From the definition of human resource accounting stated above, the main key words to be extracted are branch of accounting, process, identifying/collecting, recording, classifying, measuring data about human resources and communicating the information to interested parties for the purpose of decision making. By referring to human resource accounting as a branch of accounting it simply means that human resource accounting is a segment of both financial accounting and management accounting (Sharma, 2012). Human resource accounting is part of financial accounting because it is regulated by international standard and it is a sub in the disclosures of financial reporting of companies. Human resource accounting is part of management accounting because it has a lot to do with measurement of costs and benefits of employees in entities at a given period of time, usually a year (Soetan *et al.*, 2018). In accounting, the quantification of costs (cost accounting) is an integral part of management accounting owing to the fact that the costs determined are used as basis for decision making by managers.

2.1.3 Salaries and Wages of Employees

These are defined as amount often paid to employees of entities monthly for the services rendered. Salaries and wages are paid to employees in to encourage productivity. This is why the principles of economics state that the reward of an employee is salary and wage. This is to say that managers of companies always use salaries and wages to raise productivity of their companies, although, it was not so in antecedent era (Ofurum and Adeola, 2018). Productivity is always the target expected from an employee of an entity to meet. When targets are set for the various employees of companies to meet, there are always rewards kept for those employees that attain the set targets and there are also corrective actions that must be taken to ensure that adverse results do not repeat itself.

In this case, management of companies often carryout variance analysis to ascertain whether or not targets set initially before operations commence are met. When targets are attained exactly as stated, variances cannot occur owing to the fact that variance has to do with deviation between the targets set and the actual results of operations. Fundamentally, there are two types of variances regarded as favourable and adverse (unfavourable) variances. When there are favourable variances, the various employees that are involved in the operations are rewarded and when there are adverse variances, management often put in place the remedial actions to take in order to ensure that adverse activities do not repeat itself as adverse results often affect performance of companies detrimentally.

In computing the annual salaries and wages paid to employees, if the monthly salaries and wages in a year are fixed, the annual amount can be calculated by multiplying the fixed amount with the twelve (12) months in a year. On the other hand, when the amount of salaries and wages are not fixed throughout a year, therefore, the annual salaries and wages of employees can be computed by summing up the monthly amount of salaries and wages paid to employees in a year. Salaries and wages are often seen as agreed sum of money between employees and management of companies based on entities' remuneration scale (Inua and Oziegbe, 2018). Before now, salaries and wages were paid to employees for just the services rendered to entities. Even till today, some companies are still paying salaries and wages with the common motive of services rendered by employees.

However, in modern time where the phases of carrying out business activities have changed, due to technological influence, high competition in markets, growth in knowledge of man and among others, salaries and wages are factors within the control of management that can be used to influence financial performance (profitability) of listed companies (Ndubuisi *et al.*, 2017). This is one of the good practices of human resource accounting in the modern time. Thus, management of companies often expect that performance of their entities should grow alongside the salaries and wages paid to employees but at a different trend. This simply means that as an increase in salaries and wages of employees in companies should bring about greater and proportionate increase in financial performance of the entities. For instance, management of entities often expect that a ten percent (10%) increase in salaries and wages should generate at least eleven percent (11%) improvement in performance of the companies. This is because of the fact that managers, in today's business, believe that one of the factors or variables that is capable of affecting performance of companies is adequate payment of employees' salaries and wages and that if they are well paid, productivity will be raised which can affect performance of the companies certainly (Onyinyechi *et al.*, 2016).

Every listed company often carry out performance review to ensure that targets are met, to check any improvement/ decrease in productivity, to check the extent to which employees in the companies have affected performance and so on. When these are done and management of companies observes that the contribution of employees, in terms of productivity, are not substantial, such actions like reducing the numbers of employees, cutting down salaries and wages by reviewing the payroll of employees, implementing different remuneration scale like the commission basis and among others can be recommended to be effected in the entities in order to raise their performance owing to the fact that all the listed companies are profit-oriented organisation (Adebawojo, 2015). In the published and audited financial statements, companies often included in the annual reports, salaries and wages are captured in the disclosures (notes to the accounts) under personnel costs/expenses.

Personnel costs of a company are frequently posted to administration expenses of the entity. Particularly to salaries and wages in the listed manufacturing companies, they are regularly categorized and added to cost of sales, distribution costs and as well as the administration expenses. In this case and for proper understanding, the salaries and wages included in cost of sales of companies are those direct salaries and wages that can be directly traceable to the production process; the ones included in distribution costs are those ones that relate to marketing and distribution of commodities and the ones included in the administration expenses are those that relate to administration officers such as supervisors who are not directly involved in the production processes of companies products.

In a situation like this, under the personnel costs/expenses in the disclosures, all the salaries and wages are sum up but individually, they presented under their specialized sub-headings that incurred the costs/expenses. However, one of the limiting factors of having access to employees' information like the above discussed salaries and wages is when some companies choose to outsource the computation of personnel costs to professional accounting firms (Bansal and Sharma, 2019). In this case, only the aggregate personnel costs are reported under the administration expenses and other few information as the case may be. In a study like this, companies with these kinds of challenges are exempted in the sample selection.

2.1.4 Directors' Remuneration

These are costs usually incurred by entities for directors' salaries and wages. Directors are experts charged with the responsibility of running companies transparently for the interest of the shareholders (Saidu and Gidado, 2018). Skills and experiences of directors usually call for higher salaries or renumerations. This is because directors are those individuals who formulate strategies in order to guide the smooth running of entities and to achieve the stated goals. In every listed firm in Nigeria, the group of directors often make up the board size. A larger board size with the experienced and skilled directors usually resulted to higher costs of salaries and wages incurred by companies (Onyinyechi and Ihendinihu, 2017). In published financial statements, directors' renumerations are often captured in administration expenses or personnel cost account. In human resource accounting, directors renumerations are often expected to raise entire performance of companies because of their available skills and talents that can be committed into firms' operations when they are motivated by increment in their salaries and wages.

2.1.5 Factors that Could Affect Financial Performance

i. Expected Growth of an Entity

Growth is always an expectation of management of any entity. This is because maximization of profits and as well as wealth of shareholders are often targeted to be achieved by an entity and as such, strategies and policies are often formulated by directors or management in order to attain optimal results from operations. Fundamentally, growth is often measured in terms of assets or revenue. When growth is measured in terms of assets of companies, the focus and intention is that the total assets of the companies are used effectively and efficiently to generate adequate profits in the entities (Omondi and Muturi, 2013). In this regard, as company acquired and accumulate more assets, most especially, non-current assets, profitability is said to be growing or improving meaningfully. Also, as more assets are acquired in an entity, the size of the company is growing as well.

In acquiring and accumulating more assets in an entity, it is appropriate for management to ensure that non-current assets is greater than current assets. This is because non-current assets often exert direct influence on profitability of an entity while current assets often exert inverse influence on profitability (Demirgüneş, 2016). It could also be said that the higher the non-current assets, the greater the profitability of an entity. On the other hand, the higher the current assets in a firm, the lower the profitability of the company. Also, current assets have trade-off relationship with profitability of an entity.

2.2 Theoretical Review

2.2.1 Expectancy Theory

The expectancy theory was developed and familiarized by a Canadian professor of psychology and by name Victor Vroom in 1964. The purpose of the development of this theory was to proffer a basis for evaluating employees' performance in work settings. It is concerned about how the behaviours of employees at work are influenced by their expectations in regard to the consequences of their own activities. Hence, in a simpler view, the expectations or prospects of employees determine the level of the employees' commitments to raise productivities of companies. According to the developer of the theory, the core ideas of this theory are categorized into three factors known as expectancy, instrumentality and valence.

Expectancy, in the theory, is regarded as the level of beliefs or philosophies of individual employees in entities that certain actions or commitments could bring about definite consequences. It also emphasizes that different tendencies of actions always result to different level or degree of outcomes in companies' operations. In every setting of an entity, employees are known to have numerous and conflicting expectations and as well as the capability to attain certain target in the company. For this reason, the possibility of making resources available, training and developing of employees and providing supervisory functions needed by employees are all the responsibilities of the executives or management of companies since capable and more hands can result to improvement in firms' productivities. This stresses that if an employee commits more efforts to raise the productivity of an entity than before, more rewards will be given to him to appreciate these additional efforts added.

Instrumentality has to with the association between the rewards desired by employees and the performance of the employees to achieve the desired rewards. The desired rewards are often promised to employees and also used to encourage the employees to put in more efforts for the purpose of attaining the entities' set objectives and goals. Instrumentality also emphasises the insight employees often have in an entity in relation to their desired expectations. In accordance with the theory, promises made by management of companies to employees should inevitably be granted to them when the tasks assigned to them are accomplished to inspire the employees to do more with a greater expectation that the rewards would be granted.

Valence indicates the preference for one reward over another by employees in a firm. It explains the feeling of employees towards outcomes or rewards. In more illustrative manner, valence displays preference placed by the employee on extrinsic rewards such as salary increase, promotion, leave among others or intrinsic rewards, which usually comes in the form of satisfaction. In this regard, management of companies must search for what their employees actually value so much and decide upon as this could raise the performance of the entire firms.

Valence could either be negative or positive depending on the interest of the employees on the set rewards in a company. A negative valence occurs when an employee prefers to avoid the outcome or reward by intentionally not meeting the expected targets of a company. On the contrary, a positive valence occurs when an employee decides with full strength to achieve the promised reward by the meeting the targets set by the firm to the employee. A positive valence is an indication that an employee prefers having the outcome to not having it.

According to Vroom (1964) there is a psychological interaction between expectancy, instrumentality and valence within the individual that results in the creation of a motivational force and making the individual react by displaying actions which attract pleasure to him/her while avoiding pain. The theory is based on the individual's perception and not on objective reality. This perception, being that an individual's effort often results into improvement in performance, also bring about rewards (Sharma, 2012). As reasoned by Vroom, though people have different goals, their motivation would be possible if they are of the belief that efforts and performance are positively correlated, a good performance will produce an expected outcome of reward, the outcome received will meet one's need and there is a burning desire to satisfy one's need which justifies one's effort.

In organizations, employees who perceive their treatment as being inequitable would normally exhibit certain behaviours including reducing their effort, agitating for additional rewards, projecting the importance of their jobs compared to others, seeking for transfer or leaving the job. As a widely accepted theory of motivation, expectancy theory posits that more productivity should be expected from employees when they believe that efforts made by them will produce an expected impressive performance appraisal, the impressive performance appraisal will earn reward and reward offered to them will meet their needs (Bassey and Topang, 2012). This theory is related to the present study because it has to do with connection between employees' motivation and performance of firms. This is why the expectancy theory was adopted in the present study.

2.3 Empirical Review

Karami and Akhgar (2014) conducted a study on effect of company's size and leverage features on the quality of financial reporting of companies listed in Tehran Stock Exchange (TSE). The systematic sampling method was employed and 120 active companies in TSE during the period of 2003-2012 were selected as the sample of the study. In the study, the effects of two factors of company's structural features (size of company and leverage) were investigated. The results of the analysis of the study indicated that the variables of company size and leverage had negative and significant and positive and significant relationships with financial reporting quality respectively.

Ekundayo and Odhigu (2016) in a study to ascertain the determinants of human capital accounting in Nigeria. The focus of the researchers was to determine those factors that could raise investment in human capital accounting in Nigeria. Thirty (30) companies were drawn from the floor of the Nigerian Exchange Group (NGX) as the sample size for the study. Human capital accounting (dependent variable) was proxied by the performance of the companies studied while the independent variables were employees' salaries and wages, welfare and training costs and the size of employee. Sourced data were obtained from the published annual reports of the companies chosen for the study. The collected data were analysed with the use of multiple linear regression technique. From the analysis, it was observed that employees' salaries and wages, welfare and training costs and the size of employee had a material influence on human capital accounting.

Onyinyechi *et al.* (2016) carried out a study to investigate the influence of human resource costs on financial performance of selected listed firms in Nigeria. The researchers aimed at empirically investigating how far human resource costs had affected the profitability of the listed companies studied. The relevant data were obtained from the published annual reports of the sampled companies for the study. The human resource cost (independent variable) was measured by all the investments made by firms in human resources (personnel benefit costs) while the financial performance indicators were Profit After Tax (PAT) and as well as total turnover of the companies studied. Ten (10) companies were chosen for the study as the sample size. The collected data were analysed using multiple linear regression technique. From the analysis, it was discovered that personnel benefit costs had optimistic and material effect on PAT. Also, it was found that of personnel benefit costs exerted irrelevant influence on the firms' turnover.

Ndubuisi *et al.* (2017) carried out a study to determine the effect of human resource accounting on financial performance of quoted deposit money banks in Nigeria. Human resource accounting (independent variable) was proxied by employees' costs and the proxied for financial performance (dependent variables) were return on asset (ROA), return on equity (ROE) and market-to book value (MBV) of banks studied. The relevant data were collected from the published annual reports of the banks sampled for studied and listed in the floor of the NSE. The obtained data were analysed using descriptive statistics and inferential statistics with the inclusion of linear regression technique. From the analysis, it was discovered that human resource accounting had optimistic and statistically substantial influence on financial performance.

Omole *et al.* (2017) carried out a study to investigate the influence of human capital accounting on shareholders' value of listed oil and gas companies in Nigeria. The relevant data were obtained from the published annual reports of the companies chosen for the study from the period of 2004 to 2016. The data on variables such as human capital disclosure, dividend per share and earnings after tax were collected from the published annual reports of the companies. During this period, the entire oil and gas companies listed on the floor of NGX were chosen for the study based on availability of human capital accounting information in their annual reports. The collected data were analysed using correlation and regression analysis statistical tools. From the analysis, it was observed that the nature and characteristics of investments on the human resource required companies to capitalize rather than expense. It was found that human capital costs exerted a substantial and optimistic influence on shareholders' value of the companies studied.

Onyinyechi and Ihendinihu (2017) conducted a study to determine the impact of human resource accounting on financial performance of listed firms in Nigeria. Human resource accounting (independent variable) was proxied by Personnel Benefit Costs (PBC) while the financial performance of the companies was proxied by profit after tax (PAT), total revenue and as well as net assets. The sourced data were collected from the published annual reports of the companies chosen for study. The obtained data were analysed using multiple linear regression technique. From the analysis, it was discovered that PBC had material and optimistic impact on the PAT. It was also found that PBC exerted an adverse impact on the Net Assets.

Inua and Oziegbe (2018) conducted a study to determine the influence of human resource accounting attributes on the financial performance of quoted banks in Nigeria. The independent variables to proxied human resource accounting, including the control variable, were employees' costs, directors' remuneration, number of employees and as well as firm size. The relevant data were obtained from the published annual reports of eighteen (18) deposit money banks listed in the floor of NGX for the period of 2009 to 2017. The collected data were analysed with the use of multiple linear regression technique. From the analysis, it was confirmed that employees' costs, employees' strength and firm size had exerted material influence on the profitability of the banks. Also, it was observed that directors' remuneration exerted irrelevant influence on the profitability of the banks studied.

Ofurum and Adeola (2018) conducted a study to determine the impact of human resource accounting on profitability of quoted firms in Nigeria. Human resource accounting (independent variable) was proxied by employees' salaries and wages while net operating profit and return on capital employed were used as proxies for profitability. Relevant data for the study were obtained from the published annual reports of nine (9) sampled companies in the floor of NGX and for the period of 2011 to 2015. The collected data were analysed with the use of multiple linear regression technique inclusion of correlation coefficient. From the analysis, it was discovered that human resource accounting exerted irrelevant influence on profitability of the quoted companies studied.

Oladele *et al.* (2018) carried out a study to determine empirically the influence of human resource accounting disclosure on financial performance of the chosen listed firms in Nigeria. The researchers' aim was to empirically investigate the influence of human resource accounting disclosure on financial performance of listed firms chosen for the study. The population of the study was made up of 188 manufacturing and non-manufacturing firms in the floor of Nigerian Exchange Group (NGX) for which twenty (20) were chosen randomly for the study. The relevant data in relation to the variables studied were collected from the published annual reports of the sampled companies for the period of 2011 to 2015. Annual financial report index of the chosen companies was used to capture the dependent variable while the human resource accounting disclosure were represented by firm profitability, firm size, financial leverage and industry type. The sourced data collected was analysed using descriptive statistics, correlation and regression techniques. From the analysis, it was discovered that there was an encouraging and significant association between the independent and dependent variables.

Vaddadi *et al.* (2018) in a study to determine the effect of human resource accounting (HRA) on performance of firms. The researchers' intention was to determine the level of association between human resource accounting and the profitability of the studied companies. Ten (10) branches of Indian Nationalized banks were drawn as the sample size for the study. Human resource accounting was proxied by shelter costs, health and safety costs and as well as training and development costs. From the analysis, it was confirmed by the researchers that shelter costs and training and development costs were powerfully and optimistically related with the profitability of the companies studied. On the other hand, health and safety costs was found to immaterially and optimistically linked with the profitability of the companies studied.

Kaur (2019) conducted a study to review related literature on human resource accounting. The intention of the researcher was to explore the ideas of human resource accounting in companies. The desk research technique was employed in the owing to the fact that data were not collected in the study. It was concluded that capitalization of investment in human resources should be paramount in the presentation of statement of financial position of companies for the fact that they constitute important assets.

3. METHODOLOGY

The conduct of this study made it fundamentally necessary for the adoption of the *ex-post facto* research design. The suitability of the technique was based on the fact that the data for the study were made available in secondary sources and historical forms usually presented by entities on financial statements (Gujarati, 2013). The design would assist to direct the researcher to appropriately determine the influence of various costs of human resource accounting on financial performance of listed manufacturing companies in Nigeria.

As stated earlier in the scope of the study, the population size was made up of the aggregate of two manufacturing sectors quoted on the floor of the NGX regarded as consumer goods and industrial goods companies. The choice of these sectors was because of the kinds of products often produced, which are consumers' goods and industrial products, that also require more of human resources to facilitate the production processes. The listed consumer goods companies and industrial goods companies in Nigeria as at 31st December, 2022 were twenty (20) and thirteen (13) respectively and made up the listed manufacturing companies on the floor of the Nigerian Exchange Group (NGX) considered by the researcher in this study. For this reason, the population was the aggregate of the entities in the two sectors which sum up to thirty-three (33) listed manufacturing companies.

The sample size of this study was drawn from the total population of thirty-three (33) listed manufacturing companies in Nigeria on the floor of NSE. Twenty-six (26) listed manufacturing companies were drawn from the total population of thirty-three (33) companies purposively. The listed manufacturing companies included in the sample size were those with up-to-date annual reports and financial statements in International Financial Reporting Standards (IFRSs) formats in relation to various costs of human resource accounting for the period chosen for this study. The sample size of twenty-six (26) entities was believed by the researcher to represent the entire population of thirty-three listed manufacturing firms in Nigeria (Kothari and Garg, 2014). According to Gujarati (2013) fifty percent (50%) of the population used as sample size could represent the population in an empirical study like the present one.

The purposive sampling technique was used in the study. This enabled the researcher to draw a suitable sample size for the study by considering an appropriate technique of selection. In drawing of the relevant data for the study, availability of information that has to do with human resource costs was used by the researcher as a basis for choosing the sample size. The data for the study were obtained from the annual reports and financial statements of listed manufacturing companies in Nigeria. The sourced data from the published annual reports and financial statements of listed manufacturing companies were those ones obtained from the disclosures of financial statements in accordance with various costs of human resource accounting. The type of data that used were panel data collected from the year 2013 to 2021. The choice of the period was to capture only the published annual reports and financial statements of listed manufacturing companies in Nigeria presented in IFRSs requirements.

The variables of the study were described as follows:

Table 3.1: Variable Description

S/N	Variable	Abbr.	Measurement	*Apriori* Expectation
1.	Financial Performance	PAT	Profit After Tax	
2.	Employees' Salaries and Wages	ESW	The Total Costs	Negative
3.	Directors' Remuneration	DRM	The Total Costs	Negative
4.	Firm Size	FSZ	Total Assets	Positive

Source: Researcher's Compilation (2024)

For the purpose of testing the individual influence of the predictors on financial performance, the models were stated as:

$PAT_{ij}=\beta_o+\beta_1 ESW_{ij}+\beta_2 FSZ_{ij}+e_t$ Equation (3.1)

$PAT_{ij}=\beta_o+\beta_1 DRM_{ij}+\beta_2 FSZ_{ij}+e_t$ Equation (3.2)

where: i=Number of companies; j=Number of years; β_o =Intercept of PAT; β_1 and β_2 =Coefficient of each of the independent variables; e_t=Random error terms.

For the purpose of arriving at empirical results in relation to both the dependent and independent variables, appropriate analyses for the study would be carried out with descriptive statistics and as well as inferential statistics. In this regard, mean, standard deviation, minimum, maximum and the number of observations were the tools used to describe the nature of the relevant data collected and latter, the multiple linear regression model and correlation coefficient were used to predict the influence of independent variables (human resource accounting) on dependent variable (PAT) of listed manufacturing companies in Nigeria.

The various statistical tools of multiple linear regression that used R-Square, Adjusted R-Square, t-Statistic (t-Stat), variance inflation factor (VIF), Durbin-Watson (DW) Statistic and p-value. In particular, p-value was a margin used to either accept or reject hypothesis, correlation matrix, VIF was used in the study in testing for the existence of multi-collinearity while DW statistic was used in testing for the presence of first order autocorrelation. All regression analyses were conducted in accordance with 5% level of significance.

4. DATA ANALYSIS AND DISCUSSION

4.1 Data Analysis

4.1.1 Descriptive Statistics

For the purpose of examining the nature of the sourced data for the period chosen for the study, the descriptive statistics for each of the variables of PAT, ESW, DRM and FSZ were computed and presented on Table 4.1:

Table 4.1: Descriptive Statistics

Statistics	PAT	ESW	DRM	FSZ
Mean	16686067	4995060.	233130.2	1.63E+08
Median	1123066.	1620716.	80844.50	38440203
Maximum	4.81E+08	40509000	2099490.	2.58E+09
Minimum	-63780700	10491.00	1065.000	173542.0
Std. Dev.	61472205	7695581.	362020.8	3.37E+08

Skewness	5.132509	2.438774	2.455463	4.213268
Kurtosis	31.06218	9.008516	9.316380	23.90423
Jarque-Bera	8705.349	583.9541	624.1351	4952.937
Probability	0.000000	0.000000	0.000000	0.000000
Sum	3.90E+09	1.17E+09	54552469	3.81E+10
Sum Sq. Dev.	8.80E+17	1.38E+16	3.05E+13	2.65E+19
Observations	234	234	234	234

Source: Researcher's Computation (2024)

From Table 4.1, Financial Performance (PAT), measured by profit for the year, had ₦16,686,067, ₦1,123,066, ₦481,000,000, (₦63780700) and ₦61,472,205 respectively for mean, median, maximum, minimum and standard deviation. The mean indicated that the average of PAT of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦16,686,067. The median showed that the middle of PAT of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦1,123,066. The minimum and maximum indicated the lowest and highest of PAT of the listed manufacturing entities for the period chosen for this study. The standard deviation of ₦61,472,205 showed the level of deviation from mean in relation to PAT of listed manufacturing companies in Nigeria which was high.

From Table 4.1, Employees' Salaries and Wages (ESW), measured by total costs incurred on salaries and wages of employees, had ₦4,995,060, ₦1,620,716, ₦40,509,000, ₦10,491.00 and ₦7,695,581 respectively for mean, median, maximum, minimum and standard deviation. The mean indicated that the average of ESW of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦4,995,060. This indicated that ESW of quoted manufacturing companies during the period of this study was high. The median showed that the middle of ESW of quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦1,620,716. The minimum and maximum indicated the lowest and highest of ESW of the listed manufacturing entities studied for the period chosen for this study. The standard deviation of ₦7,695,581 showed the level of deviation from mean in relation to ESW of the listed manufacturing companies in Nigeria which was high.

From Table 4.1, Directors' Remuneration (DRM), measured by total costs incurred on remuneration of directors, had ₦233,130.2, ₦80,844.50, ₦2,099,490, ₦1,065.0 and ₦362,020.8 respectively for mean, median, maximum, minimum and standard deviation. The mean indicated that the average of DRM of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦233,130.2. This indicated that DRM of quoted manufacturing companies during the period of this study was low. The median showed that the middle of DRM of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦80,844.50. The minimum and maximum indicated the lowest and highest of DRM of the listed manufacturing entities studied for the period chosen for this study. The standard deviation of ₦362,020.8 showed the level of deviation from mean in relation to DRM of the listed manufacturing companies in Nigeria which was high.

From Table 4.1, Firm Size (FSZ), measured by total assets, had ₦136,000,000, ₦38,440,203, ₦2,580,000,000, ₦173,542.0 and ₦337,000,000 respectively for mean, median, maximum, minimum and standard deviation. The mean indicated that the average of FSZ of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦136,000,000. The median showed that the middle of FSZ of the quoted manufacturing companies in Nigeria from 2013 to 2021 was ₦38,440,203. The minimum and maximum indicated the lowest and highest of FSZ of listed manufacturing entities studied for the period chosen for this study. The standard deviation of ₦337,000,000 showed the level of deviation from mean in relation to FSZ of the listed manufacturing companies in Nigeria which was high.

4.1.2 Correlation Matrix

The results were presented as follows:

Table 4.2: Correlation Matrix

Correlation	DRM	ESW	FSZ	PAT
DRM	1.000000			
ESW	0.436978	1.000000		
FSZ	0.462547	0.389736	1.000000	
PAT	0.589910	0.680321	0.898467	1.000000
Probability	**DRM**	**ESW**	**FSZ**	**PAT**
DRM	-----			
ESW	0.0000	-----		
FSZ	0.0000	0.0000	-----	
PAT	0.0000	0.0000	0.0000	-----

Source: Researcher's Computation (2024)

From the correlation analyses presented on Table 4.2, it was observed that there was no indication of multicollinearity existing in the pair of independent variables. This was because the correlation coefficient between one independent variable and the other was less than seventy percent (70%). The relationship between ESW and PAT was 68.03% (p-value<0.05); the relationship between DRM and PAT was 58.99% (p-value<0.05) and the relationship between FSZ and PAT was 89.85% (p-value<0.05).

4.1.3 Regression Analysis and Test of Hypotheses

4.1.3.1 Hypothesis One

The correlated Hausman test was computed to ascertain the suitability of the panel regression approach to use. From the p-value of the chi-square computed was less than 5% (p-value<0.05) which indicated that the fixed effect regression model was suitable in establishing the influence of ESW on PAT. Thus, the fixed effect linear regression results in relation to Financial Performance (PAT) and Employees' Salaries and Wages (ESW) were presented on Table 4.3:

Table 4.3: Fixed Effect Regression Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	227946.5	2590167.	0.088005	0.9300
ESW	0.649870	0.160917	4.038542	0.0016
FSZ	0.081235	0.013147	6.178794	0.0000
		Effects Specification		
Cross-section fixed (dummy variables)				
R-squared	0.923148			
Adjusted R-squared	0.913075			
F-statistic	91.64727	Durbin-Watson stat		2.06236
Prob(F-statistic)	0.000000			

Dependent Variable: PAT
Source: Researcher's Computation (2024)

From Table 4.3, R^2 showed that 92.31% variation in Financial Performance (PAT) during the period of this study was caused by the influence of Employees' Salaries and Wages (ESW) and Firm Size (FSZ). Adjusted R^2 showed that exact 91.31% variation in PAT during the period of this study was caused by the influence of ESW. From the computed value of F-statistics of 91.647 (prob.-value<0.05), it was discovered that both R^2 and Adjusted R^2 were significant in explaining the influence of ESW on PAT of listed manufacturing companies in Nigeria.

The Durbin-Watson (DW) statistic of 2.06236 showed that there was no first order autocorrelation in the fixed effect regression model. ESW indicated a positive and significant influence on PAT (t-stat.>1.966, p-value<0.05) of listed manufacturing companies in Nigeria and FSZ had a positive and significant influence on PAT (t-stat.>1.966, p-value<0.05). It implied that a naira increase in ESW resulted to ₦0.64987 increase in PAT and a naira increase in FSZ resulted to ₦0.08124 increase in PAT for the period of this study.

The result of the analysis for ESW was not in compliance with the *apriori* expectation and FSZ was in compliance with the *apriori* expectation stated by the researcher of the present study. The constant (β_o) of ₦227,946.5 showed the level of PAT during the period of this study as ESW and FSZ were held constant and insignificant (t-stat.<1.966, p-value>0.05). The null hypothesis, which states that employees' salaries and wages do not significantly influence financial performance of listed manufacturing companies in Nigeria, was rejected and the alternative hypothesis, which states that employees' salaries and wages significantly influence financial performance of listed manufacturing companies in Nigeria, was accepted on the rationale of t-statistics and p-value computed (t-stat.> 1.966, p-value<0.05).

4.1.3.2 Hypothesis Two

The correlated Hausman test was computed to ascertain the suitability of the panel regression approach to use. From the p-value of the chi-square computed was less than 5% (p-value<0.05) which indicated that the fixed effect regression model was suitable in establishing the influence of DRM on PAT. Thus, the fixed effect linear regression results in relation to Financial Performance (PAT) and Directors' Remuneration (DRM) were presented on Table 4.4:

Table 4.4: Fixed Effect Regression Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	839523.6	2082870.	0.403061	0.6873
DRM	7.940668	2.117371	3.750249	0.0057
FSZ	0.086051	0.009743	8.832245	0.0000
		Effects Specification		
Cross-section fixed (dummy variables)				
R-squared	0.923414			
Adjusted R-squared	0.913376			
F-statistic	91.99172	Durbin-Watson stat		2.05460
Prob(F-statistic)	0.000000			

Dependent Variable: PAT

Source: Researcher's Computation (2024)

From Table 4.4, R^2 showed that 92.34% variation in Financial Performance (PAT) during the period of this study was caused by the influence of Directors' Remuneration (DRM) and Firm Size (FSZ). Adjusted R^2 showed that exact 91.34% variation in PAT during the period of this study was caused by the influence of DRM. From the computed value of F-statistics of 91.99 (prob.-value<0.05), it was discovered that both R^2 and Adjusted R^2 were significant in explaining the influence of DRM on PAT of listed manufacturing companies in Nigeria.

The Durbin-Watson (DW) statistic of 2.0546 showed that there was no first order autocorrelation in the fixed effect regression model. DRM and FSZ indicated positive and significant influence on PAT (t-stat.>1.966, p-value<0.05) of listed manufacturing companies in Nigeria. It implied that a naira increase in DRM and FSZ resulted to ₦7.9407 and ₦0.0861 increase in PAT respectively for the period of this study.

The result of the analysis for DRM was not in compliance with the *apriori* expectation and FSZ was in compliance with the *apriori* expectation stated by the researcher of the present study. The constant (β_o) of ₦839,523.6 showed the level of PAT during the period of this study as DRM and FSZ were held constant and insignificant (t-stat.<1.966, p-value>0.05). The null hypothesis, which states that directors' remuneration does not significantly influence financial performance of listed manufacturing companies in Nigeria, was rejected and the alternative hypothesis, which states that directors' remuneration significantly influence financial performance of listed manufacturing companies in Nigeria, was accepted on the rationale of t-statistics and p-value computed (t-stat.>1.966, p-value<0.05).

4.2 Discussion of the Findings

From Table 4.3, it was observed that Employees' Salaries and Wages (ESW) exerted positive and significant influence on Financial Performance (PAT) of listed manufacturing companies in Nigeria. The positive and significant influence of ESW on PAT of the listed manufacturing companies in Nigeria studied was tested by the coefficient of ESW and p-value of less than 5% respectively. The influence of ESW on PAT of the entities studied deviated from the *apriori* expectation of the model stated. The influence of salaries and wages of employees in companies is usually expected to be positive on financial performance of companies because of the interrelationship between the level of salaries and wages received and productivity. It is often expected that as salaries and wages of employees improve, the best of employees is achieved in an organization. Thus, when employees in companies are satisfied with the salaries scale of the entities, the level of productivity is certain to be improved as well. This is because improvement in salaries and wages of employees is seen as a motivating factor that could drive or arouse the interest and the intellectual capacity of employees to deliver his/her assigned tasks diligently with the expectation of raising the growth of the entire company.

When employees' salaries and wages influence upon the financial performance of entities positively, it could be substantiated that the entities have been maintaining long standing salaries and wages improvement for employees to motivate them in effectively discharging their duties. This is because improvement in salaries and wages of employees is done within an accounting period and the anticipated benefits of the employees for the organization is often seen in more than one accounting period. Thus, the positive and significant influence of ESW on PAT of listed manufacturing companies in Nigeria could be attributed to the fact that employees of the listed companies are paid adequately to motivate them, and this have been going on in the entities for a longer period before now. This study was in line with the study of Ndubuisi *et al.* (2017) who studied the effect of human resource accounting on financial performance of quoted deposit money banks in Nigeria. The study was also in consistent with the study of Ekundayo and Odhigu (2016) who conducted a study on the determinants of human capital accounting in Nigeria.

From Table 4.4, it was observed that Directors' Remuneration (DRM) had a positive and significant influence on Financial Performance (PAT) of listed manufacturing companies in Nigeria. The positive and significant influence of DRM on PAT of the listed manufacturing companies in Nigeria studied was tested by the coefficient of DRM and p-value of less than 5% respectively. The influence of DRM on PAT of the entities studied deviated from the *apriori* expectation of the model stated. Directors of listed companies are those with adequate business skills who usually formulate policies and strategies. In bringing the best out of them, it is expected that they are adequately remunerated. The costs of directors' remuneration are usually reported under administrative expenses and deducted from profits of companies on statements of profit or loss account. The higher the costs incurred on directors' remuneration, the lower the profit of a company in an accounting period.

The anticipated benefits of directors are perceived on the long run which mean that the improvement in directors' renumeration is both reward for service discharged and a motivating factor to drive financial performance in future. For an entity with higher directors' remuneration maintained continuously is certain to have financial performance improved substantially in future. Thus, the positive and significant influence of directors' remuneration on PAT of listed manufacturing companies in Nigeria is because directors of the companies are highly remunerated, and they are those with adequate skills with the intention to work. The findings of this study negated the study of Inua and Oziegbe (2018) who determined the influence of human resource accounting attributes on the financial performance of quoted banks in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

The influence of human resource accounting on financial performance of listed manufacturing companies in Nigeria was established. Panel regression approach (fixed effect) was employed in the study. From the results of empirical analyses, it was concluded by the researcher that human resource accounting had positive and significant influence on financial performance of listed manufacturing companies in Nigeria.

In line with the empirical results, the following recommendations were suggested by the researcher:

i. Employees' salaries and wages should be improved continuously in the listed manufacturing companies in Nigeria by promoting employees with higher performance.

ii. Employees' salaries and wages should be improved in the companies by reviewing the salary structure of the existing employees for them to be highly motivated in the job.

iii. Directors' remuneration should be improved continuously for the purpose of providing the directors with focused mind on the business activities as well as formulating and implementing sound policies.

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