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The Sociological Determinants of Human Resources Disclosure in Nigeria

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ABSTRACT

This study is aimed at examining the determinants of human resources disclosure. Precisely, this work investigates the influence of company size, profitability, audit type and firm origin on human resources disclosure. The study employed a regression analysis using the ordinary least squares techniques. The study findings indicated that Human resource disclosure is negatively connected to Firm Size. The influence of Audit type on Human Resources Disclosure was observed to be negative. The effect of company Origin on Human Resources Disclosure was found to be positive. Finally, profitability is found to be positively related to Human Resource Disclosure. This study concluded that firm precise features stimulus the level of human resources disclosure. The study recommended that regulatory agencies should develop a Human Resources Disclosure framework that will focus considerably on utilizing firm interest.

Keyword: *Human resources disclosure, Firm size, Origin, Audit type*

I. INTRODUCTION

Since the commencement of human resource accounting in the 1960s, researchers have fashioned various numbers of rudimentary enquiry that snowballed into prototypes for measuring the worth human capital. Some scholars maintain that accounting information is gradually losing its significance as a result of the growing concern and clarion call for the inclusion of a human resource in the annual financial statement. The value of the human resource is not included in reporting requirements of the annual report in most countries of the world (Garcia-Ayuso 2002, Gelb 2002). Scholars argue that current accounting practices have not been able to proficiently evaluate human capital.

There are have been numerous endeavours to advance the reportage of human capital over the years by statutory regulators world over. Inquest to offer a solution to this vest question, some groups like the Konrad group and Karl-Erik Sveiby, designed a model in 1987 for quantifying the components of intangible assets to enhance their

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visibility in the statement of the financial report. Rimmel (2003) opines that the most prominent constituent of intangible assets with regards to reporting of intangibles is human capital. Rimmel (2003) states that although most firms are keen on pronouncing staffers as the most significant and valued asset of the firm only a few firms have adopted any model for quantifying human capital. Some scholars argue that the lack of precise measurement for human resources has created a big challenge with regards to its disclosure.

Abhayawansa and Abeysekera (2008) opine that human capital can further be broken down into labour efforts and entrepreneur skills. Some schools of thought argue that human capital goes far beyond labour and entrepreneurial skill but also include technical know-how, talents, and abilities possessed by organizational staffers and management teams. The argument brought to the fore is that of categorization of human capital. Categorization has disclosed human resources to be a difficult task, in other words, some researchers look at the subject matter as a qualitative variable while others view it as a quantitative variable.

Several previous works on HR looked at the determining factor of HR information release employing diverse nations and economic sceneries. Results gotten from these studies remain mixed (Alam &Deb, 2010; Jindal & Kumar, 2012; Kateb, 2015; Ousama, Fatima, & Hafiz-Majdi, 2012; Rashid, Othman & See, 2012, Uyar &Kılıç 2013). Most prior studies argue that factors within the firm ecosystem to a large extent influence human resource disclosure. Empirical evidence also shows that studies from emerging economies on the subject matter are still grossly inadequate. Diverse factors might be responsible for this and utmost amongst them is the non-compulsory stand on Human Resources Disclosure (HRD) and measurement challenges. The aforementioned challenges form the motivation of this study and create the in gap knowledge that this study intends to fill. This study focuses on the determining factor of human resource disclosure in Nigeria.

II. LITERATURE REVIEW

The definition: Human Resource

Some scholars argue that the concept *of human resource* was first mentioned at the tail end of the nineteenth century when labour relations emerged as a course of study. After the emergence of labour relations began the worth of employee began to receive global consideration hence specific area like employee inducement, firm performance, and option valuations assumed the centre stage in management science research.

Other scholars report that the term ‘human resource was probably first discussed in an economics book written by Arthur Cecil Pigou in 1928. A few decades later, in the neoclassical economics literature, the term was used as an asset (in accounting) similar to physical means of production, that is, additional investment in HR yields more productivity, and it is said to be substitutable but different in that it is not transferable like other fixed assets (Becker, 1964; Mincer, 1957). Extant literature shows that Lev and Schwartz (1971) were the earliest to clarify the concept of HR.

Morse (1973) defines ‘human asset’ as the difference between human resource and Human Capital. His work attempted to keep the previous terminologies related to the value of employees in order; however, most subsequent studies used these terms arbitrarily until HR was defined as a part of intellectual capital (IC) in the late 1990s

Edvinsson and Malone (1997) elucidate that HR is the mixture of knowledge, expertise, improvising and aptitude of a firm’s workforces. Sveiby (1997) further classified HC into employee competence. ‘He further documents that worker proficiency includes the ability to perform in an inclusive diversity of circumstances to generate both touchable and intangible resources.’

Human asset is used to refer to both the workforce of an organization and the division in charge of handling human assets. In the 1980s, academia’s interest in accounting for employees faded away, partly because most theoretical and empirical studies at the fundamental level seemed to have been exhausted. However, some researchers or practitioners focused on more practical issues of application and implementation in this period (Roslender, 2009),

Empirical framework

This section summarizes the empirical evidence on determinants HRD. Previous studies on HC information in the financial statements have argued whether HRD should be capitalized or amortized and how to measure it as an item on the statement financial position. Experimental studies also provided some evidence showing that capitalized HC information affects investors’ decisions.

Patton and Zelenka (1997) perform work to ascertain the determinants of human resources disclosure. Their results show that Audit firm type has a positive relationship with disclosure human resource

Oliveira, Rodrigues, and Craig (2006) scrutinize the link of Intellectual Assets reporting to audit firm type. Their outcome divulged that intellectual assets disclosure is positively connected to audit firm type. The author further contended that firms audited by larger audit firms released human asset information better than those audited by smaller audit firms in the Portuguese capital market.

Alam and Deb (2010) perform a study to investigate the determinants IC disclosure in Bangladesh. Their result revealed that organization size is positively connected to Human asset reporting.

Whiting and Woodcock (2011) execute work to ascertain the determinants of HRD. Their outcome revealed that organization audited by larger audit firms demonstrated extra extensive Human Capital information release at end of reporting year than an organization that engage the services smaller audit firms.

Dominguez (2012) investigate the link of Human asset information release to the size of Spanish firms. His findings revealed that Human Resources information release positively influence firm size.

Jindal and Kumar (2012) execute work to ascertain the influence audit firm type on human resource disclosure. Their findings revealed that audit firm type positively influences HRD disclosure quoted firms in India employing financial statement arranged grounded on GAAP.

Uyar and Kılıç (2013) also executive a research work to ascertain the influence of firm size on Human Asset information release by Turkish listed firm within a time frame of five years, 2006–2010. Their findings revealed that Human Assets information release is positively influenced the size of the organization.

Kateb (2015) investigates the contributing factors to release of information on Human asset in Bangladesh. His outcome reveals that firm size is positively related to human capital disclosure

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III. METHODOLOGY

The population of the study

The population of a study is that group about whom we want to be able to conclude (Agbonifoh and Yomere, 2005). The population comprises all firms listed on the floor of the Nigerian stock exchange market as of December 31, 2019. Consequently, this study uses a sample size of 50 manufacturing companies for 2010-2019 financial years. In selecting the sample, the study will utilize the simple random sampling technique. This method is suitable for arriving at the sample because offers an equivalent likelihood of selection and as such reduce selection partiality. Data for relevant years (2010-2019) were gotten from the financial statement of the selected firms.

IV. DATA ANALYSIS METHOD

Multivariate regression technique was used to ascertain the relationship between the dependent variable and the independent variables Panel Least square method was used for analyzing the data.

Model Specification

The model adopted in this study is an embellishment of existing on the model. The practical formula of the model is stated as follows;

The model for the study is specified thus;

HRD = f (SIZE, PROF, and AUDTYPE ORIGIN)…… ………………………………………..(1)

This can be re-specified in regression form as;

$HRD = a + \beta_1 FSIZE + \beta_2 FPROF + \beta_3 AUDTYPE + \beta_4 ORIGIN + U_t$ ……………………………………..…..(2)

Where:

HRD= Human Resources Disclosure

FSIZE= Firm Size

AUDTYPE= Audit type

ORIGIN= Firm origin

FPROF= firm profitability

Model Definition

This research work utilized content analysis (CA) to gather data for evaluation. A central constituent of CA is to operationally draw up a checklist that could allow the study to classify the content components. Subsequently, based on extant literature (Huang et al., 2013; Jindal & Kumar, 2012; Lin et al., 2012; Möller et al., 2011; Motokawa, 2015h), this work developed a 24 item human resource checklist

Table 1

	Quantity of staff	13	Job-related criteria
2	Workforce mix	14	Worker advancement
3	Workforce equivalence	15	Worker elasticity
4	Worker connection	16	Innovative spirit
5	Talents/proficiency	17	Worker competences
6	Worker job-related proficiencies	18	Worker cooperation
7	Worker on-the-job competence	19	Worker participation
8	Worker attitudes	20	Worker Progression track training
9	Worker obligations	21	Safety and Health at work
10	Worker inducement	22	Worker retaining ability
11	Worker efficiency	23	Worker gratification
12	Workers capacity building	24	Worker communiqué

Researcher’s computation

A counting measure on Likert gauge of four (0–3) was used codify the value of HR disclosure a modification of Haji and Ghazali (2012) Guthrie, Petty and Ricceri (2006) and Abeysekera (2008),. A scored of three is recorded if an item disclosed in financial term and value of 2 it is was divulged in the arithmetical term. A value of 1 is allotted to an item if is reported in descriptive form while a count of 0 is allocated to an item that was not reported in the financial statement. Consequently, the overall marks are written as the proportion of real score. Probable score (PS) = 72.

Firm size (fsize)

The firm is proxy with the natural log of total assets (Ousama et al., 2012)

Firm Profitability (fprof)

Firm profitability is proxy as profit before interest and tax divided by total assets.

Type of audit firm (audit)

Audit firm type is proxy by a dummy variable. A value of 1 is allocated a firm if it engages the services of a larger firm and if otherwise = 0.

ORIGIN- Nation of incorporation of the firm, if the firm is incorporated in a foreign country assign = 1 and otherwise = 0.

Table 2 Multivariate Regression outcomes

Dependent Variable: HRD Method: Least Squares			
Variable	**Coefficient**	**t-Stat**	**Prob**
C	3.119	3.111	0.020
SIZE	-5.110	-0.222	0.772
PROFIT	2.292	3.112	0.021
AUTYPE	-0.351	-1.028	0.234
ORIGIN	0.711	-3.109	0.001
R-squared			0.672
Adjusted R-squared			0.545
WD			2.6

F-statistic			5.441
Prob(F-statistic)			0.000

Source: Researcher's computation

Table 2 revealed that firm size is negatively related to HRD. This relationship is not emblematic at 5% (p=0.772). Furthermore, the result shows that profitability is positively related to HRD. This relationship is emblematic at 5%, since p=0.021< 0.05

Also, the result reveals that the audit type is negatively related to HRD at 5%. The association is not emblematic since p=0.234 < 0.05. Finally, the result revealed that the firm country of incorporation is negatively related to HRD at 5%. This result is emblematic since p=0.001 < 0.05.

Durbin-Watson value of 2.6 suggests that stochastic dependence amid continuous components of the inaccuracy is improbable in the model.

The R^2 stood at a value of 0.672 which implies that about 67% of the dependent variable was explained by the model while about 13% are unaccounted for. The F-stat value of 5.441 and the related p-value of 0.000 implies that the postulation of a combined statistic is emblematic at 5% and the model should be retained as 5%

Robustness Test for the model.

The succeeding tests were performed to certify that elementary least-squares expectations were carried out and the approximations from the model are suitable for linear impartial estimations of the population structures. Autoregressive (ARCH) test, the LM test and the Ramsey reset test for the model order were performed.

Table 3. Heteroskedasticity Test

F-statistic	0.1115	Prob. F(1,17)	0.534
Obs*R-squared	0.154484	Prob. Chi-Square(1)	0.743

Source: Researcher's computation

Table 3 shows that the p-value, the f-statistics and the observed R- squared have values of 0.5374 and 0.69 individually employing residual lag interval of 2 since the figure exceed the critical region of 0.05 at 5% it indicates that there is no proof of heteroskedasticity is present.

Table 4 Ramsey RESET Test

	Value	df	Probability
t-statistic	0.466	14	0.713
F-statistic	0.811		0.615

Source: Researcher's computation

Ramsey Reset Test reveal that the figures for p, t and f are 0.713 and 0.615 individually. This figure exceeds the critical region of 0.05. This implies that the presence of non-linearity in the regression equation is unlikely and established that the linear model is suitable.

Table 5 Breusch-Godfrey Serial Correlation LM Test:

F-statistic	3.221	Prob. F(3,14)	0.449
Obs*R-squared	6.053	Prob. Chi-Square(2)	0.231

Source: Researcher's computation

Table 5 displays the Breusch-Godfrey association LM tests for the existence of autocorrelation. The outcome divulges that the p figures for f and the observed R-squared are 0449 and 0.231 respectively using a residual lag length of 3. These figures exceed the then critical figure of 0.05, hence the estimations of the regression did not violate the zero covariance assumption of the least-squares and the estimates are unbiased.

V. Conclusion and Recommendation

Human Resources Disclosure has drawn the concern of stakeholders and researchers in the last thirty years. Human resource disclosure mound external opinions on the firm, assist pertinent stakeholders to evaluate all assets reported at the end of the accounting year by the entity. Managers are inclined to evaluate the benefits and costs of divulging human resources. This study gives an insight into the subject matter.

The findings reveal firm size is not related to human resources disclosure. Furthermore, the result revealed that the audit type is not related to human disclosure. The result reveals that human resources disclosures are negatively related to company origin. Finally, it is revealed that profitability is positively related to human resource disclosure of companies.

The study recommended that regulatory bodies like the Security Exchange Commission are made HRD as a criterion for enlistment on the floor on the stock exchange. Furthermore, the Nigerian government should mandate foreign companies to disclose human value on their financial report.

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