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HUMAN RESOURCE COST AND FINANCIAL REPORTING QUALITY OF QUOTED BANKS IN NIGERIA

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ABSTRACT

This study examined human resource cost and the quality of financial report of commercial banks in Nigeria. The general objective was to examine if human resource cost on quality of financial of financial report while the specific objective is to examine the effect of wages and salaries, employee development cost, employee benefit cost and human resource acquisition. Cross sectional data was sourced from financial statement of fifteen quoted bank value relevance of financial reporting, timeliness of financial reporting and comparability of financial report was used as dependent variable while wages and salaries, employee development cost, employee benefit cost and human resource acquisition. Ordinary least square method of cointgration, unit root and granger causality test was used to determine the extent to which human resource cost affect quality of financial report. After cross examination of the validity of the pooled effect, fixed effect and the random effect, the study accepts the fixed effect model. Model I found that the independent variable explains 77 % and 74 % variation on the dependent variable. The F-statistics and the F-Probability validates that the model is significant. The Durbin Watson statistics of 0.9004 found that the presence of serial autocorrelation. The β coefficient of the variables shows that wages and salaries have negative effect while employee benefit cost, development cost and acquisition cost have positive effect on timeliness of financial reports. The T-Statistics and the probability value justify that the variables are statistically significant. Model II found that the independent variable explains 72 % and 50.7 % variation on the dependent variable. The F-statistics and the F-Probability validates that the model is significant. The Durbin Watson statistics of 2.141 found that the presence of serial autocorrelation. The β coefficient shows that salaries and wages and employee development cost have positive effect on the dependent variables while human resource acquisition cost and benefit cost have negative effect timeliness of financial reports. The t- statistics and probability found that the independent variables are statistically not significant. Model III found that the independent variable explains 58 % and 549 % variation on the dependent variable. The F-statistics and the F-Probability validates that the model is significant. The Durbin Watson statistics of 1.573 found that the presence of serial autocorrelation. The β coefficient shows that all the independent variable has positive effect on timeliness of financial reports except human resource acquisition cost. The t-statistics and probability found that development and benefit cost are significant while acquisition and wages and salaries are not significant. we recommend that Commercial banks should embark on employee development and career management programs to assist their employees in career planning and cost. Commercial banks should increase wages and salaries of employees and management should be able to realize a return on investment.

INTRODUCTION

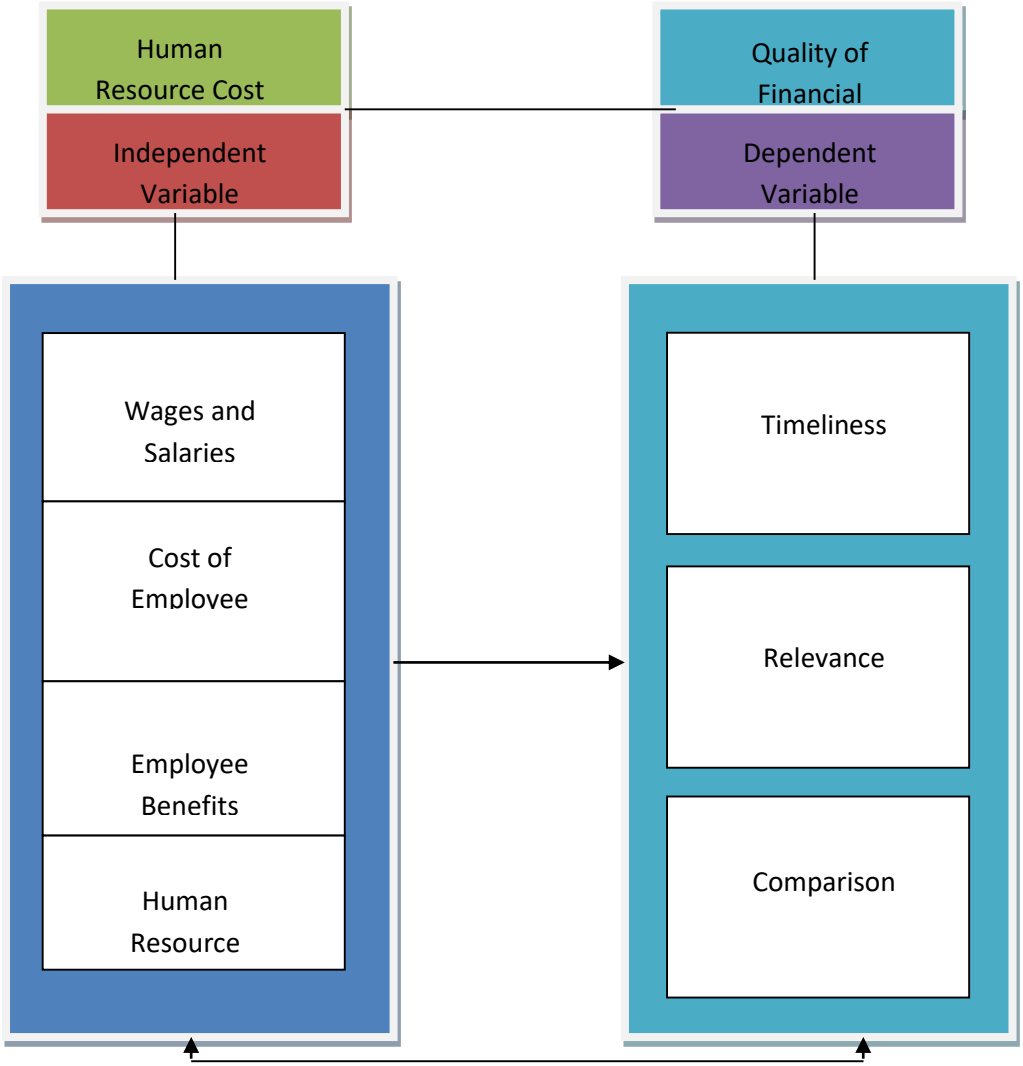
Banks are encouraged to make more comprehensive disclosures of financial position in every accounting period. The legal framework for corporate accounting and reporting in Nigeria is the Companies and Allied Matters Act (CAMA) 2020. Dominating views on human resources cost in the accounting field of Nigeria are on the consideration of characteristics of intangible assets of human assets, the item of human assets inserted between intangible assets and deferred assets in the balance sheet so as to reflect the net amount of human resources cost after being deduct the amortization. The human assets amortization expenses are added in management expenses of enterprise profit and loss statement (Wan-xiang, 2024).

The history of human resource accounting can be traced back to Brummet, Flamholtz and Pyle (2023). The cost of human resource is meaningful and justified its inclusion in statement of financial position as asset; the cost incurred is classified into capital expenditure and revenue expenditure. The aspect of cost that company benefited from or used up within the accounting year are salaries, wages, commission, bonus, allowance and short term motivation (Cascio, 2024). Capital expenditure is capitalized and recorded in the balance sheet as intangible assets and amortized over the useful life of the human asset. The amortized value is recorded as expenses in the statement of firm position while the revenue expenditure is charge to revenue in the statement of comprehensive income (Ahangar, 2022).

Financial reporting of a corporate entity constitutes a combination of qualitative and quantitative financial reports, which are referred to as a company's bill of health. Various stakeholders take their decisions relative to a company's performance and position based on the information supplied by it in its annual financial reports and accounts. Financial reporting by companies is effected via the preparation and publication of financial statements. These financial statements are required to exhibit certain degree of quality in terms of their information contents. Belkaoui (2026) opined that information contained in the financial reports should possess certain qualities as relevance, verifiability, understandability, neutrality, timeliness, comparability, and completeness. Information is related to various theories such as stakeholder theory (Choi, 2023), agency theory (Piot, 2021, and Stulz 2022), legitimacy theory (Deegan, 2022 and Tsang, 2023), and political economy theory (Choi, 2023). Information dissemination is an important and effective tool of coordinating all those groups to bring them together. Beuselinck (2025) clearly evidences quoting other relevant theories linked to economic functions that financial reporting quality is prime to the well-functioning of the economy. Financial reporting is a vital part of business management. Influential reports by major organizations have suggested that a variety of new information types be reported, in particular forward-looking, non-financial and soft information. Unfamiliar foreign accounting principles and lack of disclosure prevent investors from diversifying their portfolio internationally in an optimal manner (Doupnik and Salter, 2023).

The accounting treatment of human resource expenses as a charge to profit only is sufficient for revealing the true and fair view of companies. Although attempts have been made on the area of human resource accounting, the weaknesses identified in the proffered models and the unrealistic nature of the assumptions surrounding the modeling process made the application of the human resource cost difficult. A large part of literature and previous studies try to examine quality of financial reporting and its effects on the subsequent performance of a company. Garcia-Lara et al. (2021), Ahmed and Duellmand (2021) while strands of studies examined the effect of human resource accounting and financial performance (Okike (2020), Adeyemi (2022), Ofoegbu and Okoye (2023) and Umoren (2023). None of the studies examined the effect of human resource accounting on quality of financial reporting in Nigeria. From the above knowledge gap, this study examined the effect of human resource cost on the quality of financial reporting of quoted commercial banks in Nigeria.

Conceptual Framework



Source: Adapted from (Davies, 2018)

REVIEW OF RELATED LITERATURE

Human Capital Theory

As the underpinning theory to the study, in the economics literature, human capital refers to the productive capabilities of people (Becker, 2024). Skills, experience, and knowledge have economic value to organizations because they enable it to be productive and adaptable; thus people constitute the organization's human capital. Like other assets, human capital has value in the market place, but unlike other assets, the potential value of human capital can be fully realized only with the co-operation of the person. Therefore, all costs related to eliciting productive behaviours from employees including those related to motivating, monitoring, and retaining them-constitute human capital investments made in anticipation of future returns (Flamholtz & Lacey, 2021).

Conceptual Framework

Financial Reporting Quality

The theory of firm reporting quality was first posed by financial analysts and Stock Exchange market agents. They inferred that the reported profit does not show the firms' profitability as it is purporting. Consequently, analyzing firms' financial statements is a difficult task due to the manipulation

tendencies associated with accounting information, particularly earnings. Thus accounting earnings as a major factor that conveys signals to the capital market is regarded as high quality if the probability of errors and misstatements is low or absent (Ewert & Wagenhoper, 2020). Based on this assertion, firms' financial reporting quality is measured in terms of earnings quality which is also synonymous with accruals quality; that is, earnings with less accruals and high cash flow components.

Comparability

Comparability is the fourth fundamental qualitative characteristic as elaborated in the ED, however, during the process of preparing financial report the user may find similar situations which are presented the same and in some cases different situations which are presented differently. Thus comparability means the ability that the information have in explaining and identifying similarities in and differences between two common sets or transactions of economic phenomena (IASB, 2020). According to the ED, comparability could be arrived by attaining consistent information by companies, this could happen by enforcing the company to use the same accounting policies and procedures, either from period to period within an entity or in a single period across entities(IASB, 2020). The results of financial analysis should be in a way that can be compared to the previous year's statements. The statement can also be compared with the figures of other concerns of the same nature. Sometimes budgeted figures are given along with the present figures. The comparable figures will make the statements more useful. CAMA 1990 as amended has made it obligatory to give previous year's figures in the balance sheet. The comparison of figures will enable a proper assessment for the working of the concern.

Relevance

Information becomes relevant when it is provided to the users before it loses it stability to influence the decision-making process (Alfredson et al., 2023). Many previous literatures stressed on the importance of relevancy of information related to financial reporting, regard its role in making differences in users decisions, it enhances their capabilities and innovations in making decisions (IASB, 2020). Financial statements should be relevant to the objectives of the enterprise. This is possible when the person preparing these statements is able to properly utilize the accounting information. The information which is not relevant to the statements should be avoided; otherwise it will be difficult to make a distinction between relevant and irrelevant data.

Human Resource Cost

Human resource costing is a tool designed to assist in the effective and efficient management of human resources. Human resource management is a system designed to transform human resource inputs into outputs (human services). The inputs are people: individuals, groups, and the total human organization. The transformation processes are managerial sub-systems for acquiring, developing, allocating, and conserving, utilizing, evaluating, and rewarding people. The outputs are the services provided by individuals and groups. These services are the basis of the value of people to an organization. The ultimate purpose of human resource management is to contribute to the value of an enterprise as a hole by transforming "raw" human inputs into valuable human outputs. From management's perspective, the primary role of human resource costing is to provide information necessary to perform the functions of acquiring, developing, allocating, conserving, utilizing, evaluating, and rewarding human resources. This means that management needs various types of information to perform the human resource transformation process. Human resource costing can helps management with each of the following functions.

Employee Development Cost

The development of human resource involves various forms of training designed to enhance the technical, administrative, and interpersonal skills of people. This, in turn, increases their value to an

organization. Development may occur through formal programs or on–the job learning. Management faces two problems in budgeting human resource development, first is to allocate the human resources cost, and second, to estimate the cost of the proposed expenditure. The former is a resource allocation decision, while the latter is a problem of cost estimation. Human resource costing can help in facilitating decision making throughout the allocation of resources and measuring the expected rate of return on proposed investment. Human resource costing can also be useful to management in formulating policy for human resource acquisition and development. By providing estimates of the historical and current costs to acquire and develop people for the various positions, human resource costing can help management assess the trade-offs between the costs of recruitment from outside and development needs to assist in formulating personnel acquisition and development policy.

Human Resource Acquisition Costs

Acquisition cost refers to the costs incurred in acquiring the right man for the right job at the right time and in right quantity. It includes the expenses incurred on recruitment, selection, hiring and placement; entire cost is taken into consideration including the costs of those who were not selected. The acquisition of human resource involves recruiting, selecting, and hiring people to meet the organization's present and expected future manpower needs. The first step in human resource acquisition is to forecast manpower requirements; when they have been forecast, management must translate its personnel needs into a manpower acquisition budget. This is essentially a process of cost-estimation. Human resource costing can be useful in budgeting manpower acquisition. It can provide measurement of the stand cost of recruiting, selecting, and hiring people, which can be used to prepare proposed manpower acquisition budgets.

Human Resource Accounting

Human resource (HR) is a term used to describe the individuals who comprise the workforce of an organization, although it is also applied in labour economics to business sectors or even whole nations. Human resource is also the name of the function within an organization charged with the overall responsibility for implementing strategies and policies relating to the management of individuals (i.e. the human resource). This function title is often abbreviated to the initials 'HR'.

Human resources is a relatively modern management term, coined as early as the 1960s - when humanity took a shift as human rights came to a brighter light during the Vietnam era (Nadler, 1984). The origins of the function arose in organizations that introduced 'welfare management' practices and also in those that adopted the principles of 'scientific management'. From these terms emerged a largely administrative management activity, coordinating a range of worker related processes and becoming known, in time as the 'personnel function'. Human resources progressively became the more usual name for this function, in the first instance in the United States as well as multinational or international corporations, reflecting the adoption of a more quantitative as well as strategic approach to workforce management, demanded by corporate management to gain a competitive advantage, utilizing limited skilled and highly skilled workers.

Empirical Review

Zehri, Abdelbaki & Bouabdellah (2024) examined the relationship between intellectual capital and business performance from the stand point of financial performance, the marketplace and economics. The study was based on data collected from 25 companies in different sectors and listed on the stock market in Tunisia from 2020 to 2021. The empirical analysis was based on the Value Added Intellectual Coefficient (VAIC) model. Panel data were collected on the components of the model and the performance measures represented by the ratios of Operating Income/Sales (ROS), Operating Income to Total Assets (ROA), and Market Capitalization to Equity (MB) among other variables. Descriptive statistics and OLS techniques were used in analyzing the data and the results

indicate a positive and significant association between the components of intellectual capital and economic performance.

Sumedrea (2023) analyzed the structure of intellectual capital and evaluated its influence on economic performance based on the VAIC model for 2020 and 2021. The performances of the companies were analyzed in terms of growth and profitability under the expression of Return on Assets (ROA), Returns on Equity (ROE), and dynamic of net Sales (GROW). Financial data relating to assets and liabilities for the companies were also collated as well as information on turnover, operating profit, depreciation, staff costs and net profits. Multiple regression models were used in testing the formulated hypotheses. The results obtained suggest that, in crisis time, the development of companies is influenced by the human and structural capital, while profitability is additionally linked to the capital through the Value Added Intellectual Capital coefficient. The paper concluded that a strong link exists between profitability and intellectual capital because even in time of crisis, the performance must rely on human ability to adapt to changes and learn.

Kharal, Zai-ur-Rehman, Abrar & Khan (2023) conducted a study on the effects of intellectual capital on the performance of companies in the oil and gas sector of Pakistan. The study adopted a correlational research design and Value Added Intellectual Capital Coefficient (VAIC) model in measuring the efficiency of intellectual capital to financial performance of listed oil and gas companies in the Karachi Stock Exchange. Data on the three components of VAIC (Human Capital, Structural Capital and Capital Employed Efficiencies) and three measures of financial performance (ROA, ROE and EPS) were extracted from the twelve (12) listed oil and gas companies from 2005 to 2013 with average of six (6) years data for each company. The pooled OLS technique and correlation analysis were used in estimating the parameters of the study. The study documented a positive impact of intellectual capital on the organizational performance and value of the companies in Pakistan, concluding that development and establishment costs of human resources could be considered an intangible asset and reported as intellectual capital with long term value.

Ihendinihu and Nwokocha (2022) assessed the utility of human resource accounting as a relevant tool for the measurement of human capital and evaluated the effect of capitalizing it as an asset on firm performance and value. Survey data were obtained from 169 respondents to a researcher-designed and validated instrument. Panel data on Profit before Tax (PBT) and Net worth of five Nigerian companies were also extracted for the period 2022 to 2025 and their Human Resource Costs (HRC) for the same period capitalized following the methodology adopted by Otter (2007). Data were analyzed using regression and paired sample t-test techniques. Results from the study reveal that about 41.4% of improvements in reported PBT and 69.6% in Net worth could be attributed to capitalized human resource cost in financial statements. With t-values of 8.946 and 24.773 being significant at 1% level, the work evidences that the application of the two accounting treatments to HRC has significant effect on both PBT and Net worth of Nigerian companies.

Abubakar (2021) investigated human resource accounting and the quality of financial reporting of quoted service companies. The data collected were analyzed using Kendall's Coefficient of Concordance (KCC), and Pearson's Chi-square technique. KCC was used to evaluate the concordance of selected experts regarding the nature and characteristics of human resource expenditure and necessity for their capitalization. Pearson's Chi-square was used to ascertain the perceptions of questionnaire respondents on the effect which reporting human resource value as assets could have on the ability of financial statements' users to make informed decisions. The value relevance of the model developed was tested using Edwards-Bell-Ohlson Model methodology and the results revealed that the nature and characteristics of investments on the human resources require them to be capitalized rather than expensed. The study established that the value relevance of financial

reporting of companies could be improved by the application of the developed model; thereby boosting the informed decision making abilities of the multiple users of accounting information.

METHODOLOGY

Ex-post facto research design was employed in obtaining, analyzing and interpreting the relevant data for hypotheses testing. The rationale for the variety is that ex-facto research design allows the researcher the opportunity of observing one or more variables over a period of time (Uzoagulu, 1998). Specifically, panel data were adopted in data analysis.

Nature and Source of Data

The secondary data that was used in this study comprises quantitative data on value relevance of financial information, comparability of financial information and timeliness of financial information as dependent variables while data on the independent variable comprises employee cost of wages and salaries, employee development cost, employee benefit cost and human resource acquisition cost. There are several studies performed in the area and the researcher has gathered information from these studies to enhance this research work and to proffer solution to the research problem. Commercial banks annual statements and reports are deemed to be reliable because they are statutorily required to be audited by a recognized auditing firm before publication.

Population and Sample Size

These criteria were adapted in order to guide against data omission and ensure uniformity in the presentation. Apparently, the selection of 15 commercial banks was randomly sampled thereby ensuring that most sectors of the industrial classification according to NSE are well represented. The sample size is the 15 quoted commercial banks in Nigeria Stock Exchange which are: Access Bank Plc, Eco Bank Plc, Diamond Bank Plc, First City Monument Bank Plc, Fidelity Bank Plc, First Bank Plc, Guarantee Trust Bank Plc, Skye Bank Plc, Sterling Plc, Stanbic IBTC Plc, United Bank for Africa Plc, Union Bank Plc, Unity Bank Plc, Wema Bank Plc and Zenith

Technique for Analysis

To obtain the observed values on the expectation of the impact of financial structure on firm performance, panel data survey over a ten year period will be employed. Panel data structure allows us to take into account the unobservable and constant heterogeneity, that is, the specific features of each quoted firm. The researcher will employ pooled Ordinary Least Square (OLS), Fixed Effects and Random Effects regression models to test the various hypotheses. Pooled OLS regression technique is popular in financial studies owing to its ease of application and precision in prediction (Alma, 2021). other factors that may affect firm's performance not included in the equation constant. These analytical techniques will enable the researcher attain justifiable and robust results.

$$Y = \beta_0 + \beta_{1Xit} + \mu \qquad 3.1$$

Where Y = Dependent Variable

β_{1Xit} = Independent variable

β_0 = Regression Intercept

μ = Error Term

Disaggregating Equation 3.1 to form the multiple regression models, we have

$$TL = F(SW, EDC, EBC, HRAC) \qquad 3.2$$

$$RV = F(SW, EDC, EBC, HRAC) \qquad 3.3$$

$$CBT = F(SW, EDC, EBC, HRAC) \qquad 3.4$$

Transforming equation 3.2 to econometrics form, we have

$$TL = \beta_0 + \beta_1 SW + \beta_2 EDC + \beta_3 EBC + \beta_4 HRAC + \mu \qquad 3.5$$

$$RV = \beta_0 + \beta_1 SW + \beta_2 EDC + \beta_3 EBC + \beta_4 HRAC + \mu \quad 3.6$$

$$CBT = \beta_0 + \beta_1 SW + \beta_2 EDC + \beta_3 EBC + \beta_4 HRAC + \mu \quad 3.7$$

Where

TL = Timeliness of Financial Information
RV = Relevance of Financial Information
CBT = Comparability of Financial Information
SW = Employee Wages and Salaries
EDC = Employee Development Cost
EBC = Employee Benefit Cost
HRAC = Human Resource Acquisition Cost
μ = Error Term
$\beta_1 - \beta_4$ = Coefficient of Independent Variables to the Dependent Variables
β_0 = Regression Intercept

3.6 Statistical Approach

(i) Coefficient of Determination (R^2): This is used to measure the extent to which the independent variables in the model can explain changes on the dependent variable.

(ii) Correlation Coefficient (R): This measures the strength and the extent to which the dependent and the independent variable are related.

(iii) T-Test: This is used to measure the significance of the independent variables to the dependent variable and the hypothesis was tested at 5% level of significance and at 95% confidence interval. The hypothesis for this test is stated as follows:

Null I hypotheses: H_0:β = 0, (Statistically not significant)

Alternate hypotheses; H_1:β ≠ 0. (Statistically Significant)

And the decision rule states that "H_0" should be rejected when i-statistics is greater than the critical value, But when the T-statistics is lower than the critical value, the "H_0" is accepted with its conclusion.

(iv) F-Test: This is used to find out the overall significance of the regression model at 5% level of' significance. The hypothesis for this test is stated as:

Null Hypotheses; H_0: β_1-β_6 = 0 (all slope coefficients are equal to zero)

Alternative Hypotheses: H_0: β_1-β_6 ≠ 0 (all slope coefficients arc not equal to zero)

The decision rule for this test is that "H_0" should be rejected when F-statistics is greater than the critical value of F. hut when the F-statistics is lower, then the 'H0" is accepted while the Hi is rejected.

(v) Test of Autocorre1ation

The Durbin Watson statistics is used in this research to test for the presence of autocorrelation. When there is presence of autocorrelation, the First order autoregressive scheme will be employed to correct ii. The hypotheses states that:

H_0: P = 0 (There is serial independence in the errors)

H_1: P> 0 (There is first order (AR) positive autocorrelation.

When the Durbin Watson Statistics (DW-Stat) is lesser than lower Durbin Watson (D_L), the null hypothesis (H_0) is being rejected hut if the Durbin Watson statistics is greater than the upper Durbin Watson (D_u), the null (H_0) is then accepted.

ANALYSIS AND DISCUSSION OF FINDINGS

Table 1: Test of Appropriate Model

Model I:Human Resource Cost and Timeliness of Financial Reports			
Redundant Fixed Effects Tests			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	29.113420	(14,131)	0.0000
Cross-section Chi-square	212.063003	14	0.0000
Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.800963	4	0.5917

Model I:Human Resource Cost and Relevance of Financial Reports			
Redundant Fixed Effects Tests			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.183778	(14,129)	0.0053
Cross-section Chi-square	17.887950	14	0.0019
Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.911213	4	0.0029

Model I:Human Resource Cost and Comparability of Financial Reports			
Redundant Fixed Effects Tests			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.809177	(14,131)	0.0011
Cross-section Chi-square	39.379723	14	0.0003
Correlated Random Effects - Hausman Test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	22.884302	4	0.0074

Source: Extracted By Researcher from E-view 9.0 2025)

Our study used the likelihood ratio test to choose between the Pooled effect model and the fixed effects model as how in table 4.1 above. The fixed effects model is better than pooled effect that the results of the likelihood ratio test were significant (p-value< 0.0000 for the three models. This

result means that we reject the Pooled effect model and choose the fixed effects model for this study. To make a choice between the fixed effects model and the random effects model, we utilized the Hausman test as shown in the table above. The hypotheses of the test are as follows:
The fixed effects model is more appropriate than the random effects model. As the result found that the results of this test were significant (p-value = 0.0241). Hence, we reject the null hypothesis and conclude that the fixed effects model is the most appropriate of the three models.

Table 4.2: Presentation of Pooled effect results

Model I:Human Resource Cost and Timeliness of Financial Reports					
Variable	Coefficient	Std. Error	t-Statistic		Prob.
SW	0.369227	0.281082	1.313592		0.1911
HRAC	0.637460	0.550884	1.157159		0.2491
EDC	-0.114921	0.983828	-0.116811		0.9072
EBC	-0.598220	0.278380	-2.148932		0.0333
C	3.109940	8.720133	0.356639		0.7219
R-squared	0.062476	Mean dependent var			8.840000
Adjusted R-squared	0.036614	S.D. dependent var			15.14409
S.E. of regression	14.86426	Akaike info criterion			8.268562
Sum squared resid	32037.20	Schwarz criterion			8.368916
Log likelihood	-615.1421	Hannan-Quinn criter.			8.309332
F-statistic	2.415697	Durbin-Watson stat			0.256634
Prob(F-statistic)	0.051451				

Model I:Human Resource Cost and Relevance of Financial Reports				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
SW	0.079142	0.058643	1.349554	0.1793
HRAC	-0.053211	0.115708	-0.459870	0.6463
EDC	0.027518	0.206781	0.133078	0.8943
EBC	-0.019198	0.058145	-0.330169	0.7418
C	12.19183	1.818042	6.706024	0.0000
R-squared	0.016786	Mean dependent var		13.56399
Adjusted R-squared	-0.010717	S.D. dependent var		3.082479
S.E. of regression	3.098953	Akaike info criterion		5.133205
Sum squared resid	1373.301	Schwarz criterion		5.234463
Log likelihood	-374.8572	Hannan-Quinn criter.		5.174346

F-statistic	0.610331	Durbin-Watson stat	1.902029
Prob(F-statistic)	0.655850		

Model I:Human Resource Cost and Comparability of Financial Reports

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EBC	0.099812	0.036996	2.697950	0.0078
EDC	0.238609	0.130747	1.824969	0.0701
HRAC	-0.093463	0.073210	-1.276640	0.2038
SW	0.030609	0.037355	0.819425	0.4139
C	9.047962	1.158870	7.807574	0.0000
R-squared	0.075596	Mean dependent var		10.97680
Adjusted R-squared	0.050095	S.D. dependent var		2.026818
S.E. of regression	1.975399	Akaike info criterion		4.232183
Sum squared resid	565.8192	Schwarz criterion		4.332538
Log likelihood	-312.4137	Hannan-Quinn criter.		4.272954
F-statistic	2.964443	Durbin-Watson stat		1.220325
Prob(F-statistic)	0.021708			

Source: Extracted By Researcher from E-view 9.0 2025)

The objective of this study was to examine the effect of human resource cost and quality of financial reports of Nigeria quoted commercial banks using cross sectional panel data. Results in the above table prove the evidence on the effects of human resource cost and quality of financial reports of Nigeria quoted commercial banks. From model I, the pool regression results, the independent variables can explain 6% and 3% variation on the dependent variable. The F-Statistics and Probability shows that the model is significant in affecting changes on the dependent variable. The Durbin Watson statistics is greater than 0.256 is less than 1.00 which prove the presence of positive serial auto correlation. The β coefficient shows that salaries and wages and human resource acquisition cost have positive effect on the dependent variables while employee development and benefit cost have negative effect timeliness of financial reports. The t- statistics and probability found that the independent variables are statistically not significant except employee benefit cost.

From model II, the pool regression results, the independent variables can explain 1% and 1% variation on the dependent variable. The F-Statistics and Probability shows that the model is not significant in affecting changes on the dependent variable. The Durbin Watson statistics is greater than 1.902 is less than 2.00 but greater than 1.50, which prove the presence of negative serial auto correlation. The β coefficient shows that salaries and wages and employee development cost have positive effect on the dependent variables while human resource acquisition cost and benefit cost have negative effect timeliness of financial reports. The t- statistics and probability found that the independent variables are statistically not significant.

From model III, the pool regression results, the independent variables can explain 7% and 5% variation on the dependent variable. The F-Statistics and Probability shows that the model is not significant in affecting changes on the dependent variable. The Durbin Watson statistics is greater than 1.902 is less than 2.00 but greater than 1.50, which prove the presence of negative serial auto correlation. The β coefficient shows that salaries and wages and employee development cost and benefit cost have positive effect on the dependent variables while human resource acquisition cost have negative effect timeliness of financial reports. The t- statistics and probability found that development cost and benefit cost are statistically significant while wages and salaries and human resource development cost are not statistically significant.

Table 4.3: Presentation of Fixed Effect Model Result

Model I:Human Resource Cost and Timeliness of Financial Reports

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SW	-0.431333	0.196606	-3.159371	0.0036
HRAC	0.562643	0.332211	2.693631	0.0027
EDC	0.646850	0.645710	2.001764	0.0083
EBC	0.517922	0.199983	3.589660	0.0064
C	3.080554	5.295812	2.581696	0.0018
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.771967	Mean dependent var		8.840000
Adjusted R-squared	0.740635	S.D. dependent var		15.14409
S.E. of regression	7.712568	Akaike info criterion		7.041475
Sum squared resid	7792.366	Schwarz criterion		7.422822
g likelihood	-509.1106	Hannan-Quinn criter.		7.196404
F-statistic	24.63774	Durbin-Watson stat		0.900415
Prob(F-statistic)	0.000000			

Model I:Human Resource Cost and Relevance of Financial Reports

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SW	0.069439	0.078318	0.886638	0.3769
HRAC	-3.037969	0.133258	-3.284928	0.0062
EBC	-3.068869	0.079820	-4.862802	0.0098
EDC	0.108208	0.258839	0.418053	0.6766
C	12.46775	2.108777	5.912311	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.728721	Mean dependent var		13.56399
Adjusted R-squared	0.507147	S.D. dependent var		3.082479
S.E. of regression	3.071445	Akaike info criterion		5.201530
Sum squared resid	1216.957	Schwarz criterion		5.586307
Log likelihood	-365.9132	Hannan-Quinn criter.		5.357864
F-statistic	3.058785	Durbin-Watson stat		2.141696
Prob(F-statistic)	0.001021			

Model I:Human Resource Cost and Comparability of Financial Reports				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EBC	0.027606	0.047260	0.584130	0.5601
EDC	0.267431	0.152593	1.752582	0.0420
HRAC	-0.801058	0.078507	-5.287242	0.0000
SW	0.029150	0.046461	0.627393	0.5315
C	9.660360	1.251494	7.719062	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.589039	Mean dependent var		10.97680
Adjusted R-squared	0.491349	S.D. dependent var		2.026818
S.E. of regression	1.822616	Akaike info criterion		4.156318
Sum squared resid	435.1728	Schwarz criterion		4.537665
Log likelihood	-292.7239	Hannan-Quinn criter.		4.311248
F-statistic	2.958753	Durbin-Watson stat		1.573524
Prob(F-statistic)	0.000191			

Source: Extracted By Researcher from E-view 9.0 2025)

Model I from the fixed effect model shows that the independent variable explains 77 % and 74 % variation on the dependent variable. The F-statistics and the F-Probability validates that the model is significant. The Durbin Watson statistics of 0.9004 found that the presence of serial autocorrelation. The β coefficient of the variables shows that wages and salaries have negative effect while employee benefit cost, development cost and acquisition cost have positive effect on timeliness of financial reports. The T-Statistics and the probability value justify that the variables are statistically significant.

Model II from the fixed effect model shows that the independent variable explains 72 % and 50.7 % variation on the dependent variable. The F-statistics and the F-Probability validates that the model is significant. The Durbin Watson statistics of 2.141 found that the presence of serial autocorrelation. The β coefficient shows that salaries and wages and employee development cost have positive effect on the dependent variables while human resource acquisition cost and benefit cost have negative effect timeliness of financial reports. The t- statistics and probability found that the independent variables are statistically not significant.

Model III from the fixed effect model shows that the independent variable explains 58 % and 549 % variation on the dependent variable. The F-statistics and the F-Probability validates that the model is significant. The Durbin Watson statistics of 1.573 found that the presence of serial autocorrelation. The β coefficient shows that all the independent variable has positive effect on timeliness of financial reports except human resource acquisition cost. The t- statistics and

probability found that development and benefit cost are significant while acquisition and wages and salaries are not significant.

Table 4.4: Presentation of Random Effect Model Results

Model I:Human Resource Cost and Timeliness of Financial Reports				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
SW	0.000360	0.193989	0.001858	0.9985
HRAC	0.556890	0.330383	1.685591	0.0940
EDC	0.640537	0.639247	1.002018	0.3180
EBC	0.074334	0.196770	0.377771	0.7062
C	2.831749	6.418567	0.441181	0.6597
	Effects Specification			
			S.D.	Rho
Cross-section random			14.23186	0.7730
Idiosyncratic random			7.712568	0.2270
	Weighted Statistics			
R-squared	0.027044	Mean dependent var		1.493153
Adjusted R-squared	0.000204	S.D. dependent var		7.681398
S.E. of regression	7.680613	Sum squared resid		8553.814
F-statistic	1.007611	Durbin-Watson stat		0.800958
Prob(F-statistic)	0.405640			
	Unweighted Statistics			
R-squared	-0.004586	Mean dependent var		8.840000
Sum squared resid	34328.89	Durbin-Watson stat		0.215006

Model II:Human Resource Cost and Relevance of Financial Reports				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
SW	0.074665	0.062911	1.186837	0.2373
HRAC	-0.046489	0.120103	-0.387079	0.6993
EBC	-0.029694	0.062392	-0.475922	0.6349
EDC	0.041612	0.218677	0.190290	0.8494
C	12.29426	1.895581	6.485745	0.0000
	Effects Specification			
			S.D.	Rho
Cross-section random			0.716391	0.0516
Idiosyncratic random			3.071445	0.9484
	Weighted Statistics			
R-squared	0.014281	Mean dependent var		10.93945
Adjusted R-squared	-0.013292	S.D. dependent var		3.016819
S.E. of regression	3.037990	Sum squared resid		1319.802
F-statistic	0.517935	Durbin-Watson stat		1.973491
Prob(F-statistic)	0.722667			
	Unweighted Statistics			
R-squared	0.016505	Mean dependent var		13.56399

Sum squared resid	1373.693	Durbin-Watson stat	1.895393

Model III:Human Resource Cost and Comparability of Financial Reports

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EBC	0.061761	0.041046	1.504679	0.1346
EDC	0.240761	0.139034	1.731664	0.0855
HRAC	-0.094222	0.074380	-1.266777	0.2073
SW	0.025044	0.041138	0.608769	0.5436
C	9.505601	1.200109	7.920617	0.0000
	Effects Specification			
			S.D.	Rho
Cross-section random			0.863313	0.1832
Idiosyncratic random			1.822616	0.8168
	Weighted Statistics			
R-squared	0.050896	Mean dependent var		6.094834
Adjusted R-squared	0.024714	S.D. dependent var		1.838450
S.E. of regression	1.815591	Sum squared resid		477.9735
F-statistic	1.943912	Durbin-Watson stat		1.424122
Prob(F-statistic)	0.106273			
	Unweighted Statistics			
R-squared	0.068704	Mean dependent var		10.97680
Sum squared resid	570.0377	Durbin-Watson stat		1.207853

Source: Extracted By Researcher from E-view 9.0 2025)

From the random effect model I, the independent variables can explain 2% and 0.2% variation on the dependent variable. The F-Statistics and F-Probability fund not significant of the model, The Durbin Watson statistics of 0.800 found that the presence of serial autocorrelation. The β coefficient shows that all the independent variables are positively effect on timeliness. The T-Statistics and probability value prove that the independent variables are statistically not significant.

From the random effect model II, the independent variables can explain 1% and 0.1% variation on the dependent variable. The F-Statistics and F-Probability fund not significant of the model, The Durbin Watson statistics of 0.800 found that the presence of serial autocorrelation. The β coefficient shows that salaries and wages and human resource acquisition cost have positive effect on the dependent variables while employee development and benefit cost have negative effect relevance of financial reports The T-Statistics and probability value prove that the independent variables are statistically not significant.

From the random effect model II, the independent variables can explain 5% and 2% variation on the dependent variable. The F-Statistics and F-Probability fund not significant of the model, The Durbin Watson statistics of 1.424 found that the presence of serial autocorrelation. The β coefficient shows that all independent variables have positive effect comparability of financial reports except human resource acquisition cost. The T-Statistics and probability value prove that the independent variables are statistically not significant

4.4 Discussion of Findings

4.4.1 Human Resource Cost and Timeliness of Financial Reporting of Commercial Banks

The objective of this model was to investigate the effect of human resource cost on the timeliness of financial reporting of quoted Nigeria commercial banks. Evidence from the results proved that human resource cost proxy by employee wages and salaries, employee development cost, employee benefit cost and human resource acquisition cost can explain 77 percent variation on the timeliness

of financial reporting of the quoted commercial banks. This implies that variation inhuman resources cost have significant influence on timeliness of financial reports. From the independent variables, wages and salaries have negative and significant effect on timeliness of financial reports of the commercial banks. The coefficient of -0.431 as parameter for salaries and wages proved that a unit increase on wages and salaries will lead to 0.4 percent decrease on timeliness of financial reports. This is contrary to our expectation as we expect a positive effect of employee salaries and wages on the timeliness of financial reports. The negative effect of salaries and wages confirm the opinion that monetary reward is not a motivating factor. The effect could be traced to compares' of salaries and wages of the banks staff to their counterpart in other industries like the oil industry.

The negative effect of employee salaries and wage son the timeliness of financial reports contradict the findings of Zehri, Abdelbaki & Bouabdellah (2022) on positive and significant association between the components of intellectual capital and economic performance of quoted firms in Pakistan, Sumedrea (2023) that, in crisis time, the development of companies is influenced by the human and structural capital, while profitability is additionally linked to the capital through the Value Added Intellectual Capital coefficient, the findings of Ihendinihu and Nwokocha (2019) that about 41.4% of improvements in reported PBT and 69.6% in Net worth could be attributed to capitalized human resource cost in financial statements. With t-values of 8.946 and 24.773 being significant at 1% level, the work evidences that the application of the two accounting treatments to HRC has significant effect on both PBT and Net worth of Nigerian companies and the findings of Abubakar (2021) that the value relevance of financial reporting of companies could be improved by the application of the developed model; thereby boosting the informed decision making abilities of the multiple users of accounting information.

The positive coefficients of 0.562 as parameter for human resource acquisition cost, 0.646 as parameter for employee development cost and 0.517 as parameter for employee benefit cost will lead to 5.6 percent, 6.4 percent and 5.1 percent increase in timeliness of financial reports of the commercial banks. The positive and significant effect of the variables confirm the our expected results and validate the findings of Micah, Ofurum & Ihendinihu (2022) that the effect of Human Resource Accounting Disclosure (HRAD) accounted for 75.9% of the variation in the Firm Financial Performance, with an F– ratio of 3.581 being significant at 5% confidence level. The findings of Chen et al. (2011) whose study found that banks and government can get benefits of having the high-quality financial reporting, because it has a positive effect on private firms investment efficiency and financial performance, which in turn increases tax payment and lending from banks, the findings of Umobong (2025) that differences on market performance between pre and post IFRS periods are not significant suggesting a weak correlation between adoption of IFRS and market performance of quoted food and beverage manufacturing firms in Nigeria Stock Exchange.

4.4.2 Human Resource Cost and Relevance of Financial Reporting of Commercial Banks

The second model examined the effect of human resource cost on the value relevance of financial reports of quoted Nigeria commercial banks. The results found that the independent variables can explain 72.8 percent variation on the value relevance of financial reports of quoted commercial banks in Nigeria. The large explained variation implies that human resource cost have significant effect on the value relevance of financial reports. The beta coefficient of the variables found that salaries and wages have positive and insignificant effect on value relevance of financial report such that a unit increase will lead to 0.6 percent increase on value relevance of financial report of commercial banks. The positive coefficient of 0.108 as coefficient of employee development cost will lead to 1.0 percent increase on the value relevance of financial report. However, the negative coefficient of -3.037 as parameter for human resource acquisition cost and -3.068 as parameter for employee benefit cost will lead to 3 percent decrease on the value relevance of financial report of commercial banks. We expected positive effect of human resource cost on value relevance of

financial report. The negative effect of human resource cost and employee benefit cost is contrary to expectation of the result and can be traced to inability of the commercial banks to formulate policies and devise strategies for employee benefit cost.

4.4.3 Human Resource Cost and comparability of Financial Reporting of Commercial Banks

The third model was formulated to examine the effect of human resource cost on the comparability of financial report of commercial banks in Nigeria. The result proved that human resource cost can explain 58.9 percent variation on the comparability of financial reports of Nigeria quoted commercial banks. The positive coefficient of 0.027 as parameter for employee benefit cost, 0.267 as parameter for employee development cost and 0.029 as parameter for salaries and wages indicate that a unit increase will lead to 0.2 percent increase on comparability of financial reports of commercial banks while the negative coefficient of 0.801 indicate that a unit increase on the variable will lead to 8 percent decrease on the comparability of financial reports. Again our earlier expectation was positive effect of the human resource cost on the comparability of financial reports.

The findings confirm the findings of Roca-Puig, Beltrán-Martín and Cipres (2023) that the positive effect of human capital on firm performance is greater in large firms with low temporary employment than in small firms with high temporary employment, the findings of Harris, McMahan and Wright (2022) that human capital has a positive influence on team performance, and that organizations with human resources that have higher levels of overlapping tenure may have higher levels of performance, the findings of Davies (2018) whose study found correlation coefficient of 71.3%, R2 and the Adjusted R2 shows that 50.8% and 36.0%. The explanatory power of the predictor variables shows that all the independent variables have positive but insignificant relationship with return on investment of the manufacturing firms except cost of human resource acquisition. The revenue expenditure proved R and the adjusted R of 61.0% and 49.3% explained variation on return on investment. The coefficient of the independent variables proved that salaries, wages and bonus have positive relationship with return on investment of the selected manufacturing firms while commission and allowances have positive effect on return on investment. Edom, Inah and Adanma(2015) that there was a significant relationship between training cost, development cost and the profit of the bank, the findings Ikpefan, Kazeem and Taiwo(2023) agreed that human resources expenditure should be capitalized and treated as assets rather than write-off to profit and loss accounts and that human resources accounting has a significant effect on MFBs performance.

CONCLUSION AND RECOMMENDATIONS

Conclusions

In commercial banks, human resource is adjudged as the major asset. The nature and characteristics of investments on the human resource require them to be capitalized rather than expensed. This is due to their impact on the general productivity of employees, which is expected to exceed more than one accounting period. From the findings of the study, it is concluded that Human Resource cost affect the quality of financial reports makes the reports more relevant for decision making compared to the conventional way of reporting. Thus, expenditures on human resource like those relating to training, education, welfare, recruitment, selection, contribution to pension fund, and subsistence allowance are better accounted for when they are capitalized rather than expensed. The study further conclude that that human resource cost in salaries and wages and employee development cost and human resource acquisition cost have positive and significant effect on comparability of financial reporting of the quoted commercial banks in Nigeria. However, employee benefit cost has negative significant effect on relevance of financial reports, of financial reports of the 15 quoted commercial banks. The positive effect of the variables confirms the a-priori expectation of the results.

Recommendations

Based on the findings from this study, the following recommendations are proffered:

(i) Commercial banks should embark on employee development and career management programs to assist their employees in career planning and cost. When the commercial banks provides this service, one important aim is to identify sequences of job assignments that help employees gain the skills and knowledge viewed as important in the company. A well-functioning company career planning system encourages employees to take more responsibility for their own development, including the development of skills viewed as significant in the company. It should be noted that a career planning system not only helps ensure that employees have the skills they need to advance in the company, but also help ensure that employees possess the mix of skills that the firm believes is important for its future success. In other words, the provision of career planning assistance may have a positive effect on the level and type of skills and knowledge in the company.

(ii) Commercial banks should increase wages and salaries of employees and management should be able to realize a return on investment in certain programs which would increase the efficiency and effectiveness of their human resources, and this could be further utilized as a benchmark measurement for Inter-company comparison in the same industry.

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