



# **Corporate Governance and Human Resource Accounting Disclosure (HRAD) in Listed Financial Firms in Nigeria**

**\*Bello Bilikis Modupeola & \*\*Micah Leyirah Christian**

**Department of Accounting  
University of Port Harcourt, Port Harcourt, Nigeria  
[\\*Bilikisbello@gmail.com](mailto:Bilikisbello@gmail.com); [\\*\\*levimic@yahoo.com](mailto:levimic@yahoo.com)**

## **ABSTRACT**

The focus of the study is to examine the impact of corporate governance on human resource disclosures in corporate reports of listed firms in the financial industry in Nigeria. The study sample covers all listed money deposit banks and insurance firms covering the period 2009-2018. The study employed secondary data retrieved from annual reports of the listed companies. The panel regression analysis was used as the data analysis method. The findings of the study reveal that the fixed effect coefficients reveal that Board size has a negative impact HRAD which is significant at 5% ( $p=0.000$ ). Board independence is positive and significant at 5% ( $p=0.009$ ). Board gender diversity has a positive but not significant at 5% ( $p=0.2182$ ). Institutional ownership and Audit committee size are significant. The study recommends that there is the need for companies to improve the level of human resource disclosures in corporate reports. In addition, companies must adopt more robust methodologies for assessing the relevance of human resource as an asset to the company and not just an expense. In this regard, it is recommended the corporate governance should ensure that management puts emphasis on human resource disclosures by encouraging the voluntary disclosure of value-added human resource activity.

**Keywords:** Human Resource Accounting Disclosures, Corporate governance, panel regression.

## **1. INTRODUCTION**

Human resource accounting and its subsequent disclosures have been a topic issue in accounting research for a long time and till date there is yet to be an end to the debates surrounding it. Mainly, the arguments have come from a relegated position that human resource has been given in financial accounting and reporting despite the importance that has heralded corporate reporting of other assets. Supangco (2006) mentioned that successful human resource practices in organizational capacity building help the organization to adapt to changes in a global environment; these practices provide the necessary infrastructure to enable the organization to create value in the market. Considering human resource as part of unique and valuable knowledge of the employees, they will be relevant in generating a sustainable competitive advantage for the organizations. The value of knowledge reflects the power to improve efficiency and effectiveness of the firm, exploiting market opportunities and/or neutralize potential threats, while the unique knowledge helps to differentiate firms from their competitors (Pelayo-Maciel, Calderon- Hernandez & Sema-Gomez, 2012).

However, mainly resulting from the unavailability of a proper framework governed by standards guiding the voluntary human resource accounting information disclosure, firms have randomly chosen information to be included in the annual reports of the firms (Abeysekera, 2008). However, studies on human resource (Royal & O'Donnell, 2008) have revealed that there is a huge variation in information disclosure. This variation in information disclosure via external reporting has been attributable to many firm specific attributes including human resource management practice itself (Ax & Marton, 2008) as well as external environmental pressures such as legislations and regulatory frameworks (Roslender & Stevenson, 2009). In this regard, corporate governance has also been identified as being critical in determining the extent and quality of attention given to human resources in the organization. Good governance practice of firms promotes accounting and financial reporting

recognition of firms' investment in intellectual capital, where human resource is the value creator (Li et al., 2012).

However, there is a lack of systematic evidence on the possible relationships between governance and human resource accounting disclosure for financial firms in Nigeria. According to Abeysekera (2008), knowledge-intensive companies depend more on Human resource rather than other balance sheet assets to create value. Consequently, human resource plays an important role in achieving the sustainable performance of the knowledge-based companies such as financial institutions. Moreover, the GDP contribution of the service sector has doubled in Nigeria in the past four decades. Financial industry is one of the major service sectors of Nigeria, which not only supports to create capital but also involves in economic transactions and employment generation. Thus, it is noteworthy to understand the impact of corporate governance on HRAD of the financial institutions in Nigeria. In addition, because the well accepted valuation approach for Human resource accounting is yet to develop, this study concentrates on the disclosure of human resource investment information in annual reports for deepening the understanding about human resource accounting and reporting practices in financial institutions of Nigeria. The paper is divided into the following sections; section 1 presents the introduction; the literature review is presented in section 2 and the methodology in section 3. The presentation and analysis of result is seen in section 4 and the conclusion is presented in section 5

### **1.2. Aim and Objectives**

The aim of the study is to examine the impact of corporate governance on human resource accounting disclosure in listed financial firms in Nigeria. The specific objectives are to;

- i.. Determine the impact of board size on HRAD in listed financial firms in Nigeria.
- ii.. Determine the impact of board independence on HRAD in listed financial firms in Nigeria
- iii.. Identify the impact of board gender diversity on HRAD in listed financial firms in Nigeria
- iv.. Evaluate the impact of institutional ownership on HRAD in listed financial firms in Nigeria
- v. Determine the impact of audit committee size on HRAD in listed financial firms in Nigeria

## **2. LITERATURE REVIEW AND HYPOTHESES**

### **2.1 Human Resource Accounting and Reporting**

Kalpana and Gopinath (2013) defined human resource accounting as the process of measuring the cost incurred in recruiting, selecting, hiring, training and developing employees as well as measuring their economic value to the organization. Human resource accounting attempts to quantify the intangible qualities that individuals bring to an organization (Osemek, 2017). The value of the human resource is introduced by reason of the investment made on the human resource. These investments which appear as costs incurred tend to have been identified by traditional accounting as expenses, failing to grasp the view that physical assets are bought or hired with a cost incurred which is capitalized, so also is human resource invested in at a cost which ought to be capitalized as well.

Raghav (2011), states that Human Resources Accounting is a method of measuring the effectiveness of personnel management activities and the use of people in an organization. HRA is not only involved in the measurement of data related to placement, training and development of employees but also involved in the evaluation of financial condition of people in an organization. Rahmanzadeh and Mahesh (2014) opined that human resource accounting is the process of identifying, measuring data about human resources and communicating this information to interested parties. In evaluating the relevance of human resources in financial reporting, Singh and Singh, (2009), describe human resources accounting as an accounting technology of identifying, measuring, classifying, summarizing and reporting the data about human resources to the stakeholders for effective decision-making regarding the human resources of an organization. However, Bullen and Eyler (2010), stated that Human Resource Accounting involves accounting for expenditures which related to human resources as assets.

### **2.2. Corporate Governance**

According to Anandarajah (2004) there is no universally agreed definition for what the term corporate governance means, numerous definitions have evolved owing to the multi-dimensional nature of the concept. Consequently, Anandarajah (2004) views the concept of corporate governance as a means holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require

accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. The Code of Corporate Governance issued by Central Bank of Nigeria (2003) defines the subject of corporate governance as “a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectations of the other stakeholders.

The Economic Cooperation and development (OECD, 1999) also defines corporate governance as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing so, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance. A common assertion of the most corporate governance definitions imply a mechanism targeted to minimize problems generate by the separation of ownership and control (Wells, 2010). In other words, corporate governance has the role to examine which legal, economic, and social mechanisms are the best in compelling the corporation`s managers to look after the benefit of shareholders and not themselves, while running well the corporation (Wells, 2010).

### **2.3 Corporate Governance and HRAD**

In this section, the empirical review on the relationship between corporate governance and HRAD is examined. The corporate governance indicators examined herein are the ones indicated in the study objective; board size, board independence, board gender diversity, audit committee size and institutional ownership. The hypothesis is presented alongside the review on each variable.

#### **2.3.1 Board Size and HRAD**

The board of directors plays a significant role in establishing corporate disclosure policies and overseeing the top managers` compliance with those disclosure policies (Zhang, 2012). Board size refers to the total number of members in the board. Board size is an important proxy for the effectiveness of monitoring function of the board and it is argued that board size plays a key role in influencing corporate disclosure decisions (Zhang, 2012). Investors become aware of the future earnings capability engendered by human resources only with the disclosures made by a firm. It is assumed that larger boards ensure communication to investors of the strategic resources of human capital to demonstrate long-term future earnings of the firm, through greater voluntary disclosure (Abeysekera, 2010).

With respect to the relationship between board size and human resource accounting disclosures, Iqbal and Zaib (2017) examine board size as a factor of corporate governance and its impact on the disclosure of human intellectual capital for listed banks in Pakistan. 27 listed banks were included in the sample and were grouped into two; 19 commercial banks and 8 micro finance and investments banks. The annual reports of the banks were studied for the period from 2008 – 2015. Board size is measured by the total number of board members. The findings reveal that board size has a positive impact on value added human intellectual capital

Zhang (2012) investigate the influence of board structure on the level of intellectual capital disclosure. It employs a sample of 155 firms listed on the New Zealand Exchange covering a total of 519 firm-years from 2008-2011. Based on an application of agency theory, cost-benefit theory and value relevance approach, it argues that firm-specific factors are expected to have a significant impact on the level and value relevance of intellectual capital disclosure. A self-developed disclosure index and multiple regression analysis are employed to test the hypothesised relationships. The results indicated that board size has a significant positive impact on the level of intellectual capital disclosure.

Abeysekera (2010) examine the effect of board size on firms disclosing more, rather than less, strategic and tactical intellectual capital resources using the top 26 of the 52 firms ranked by the Nairobi Stock Exchange for market capitalization in 2002 and in 2003. Using content analysis for data generation, this study classifies firms that disclose more versus those that disclose less, using the mean for all firms for each disclosure outcome. The board size is scored 1 if the number of directors of a firm is between 5 and 14, and 0 if otherwise. The result of the logistic regression finds that firms disclosing more strategic human capital have larger boards. In the light of the above, the research hypothesis is specified thus;

***H<sub>01</sub>: Board size has no significant impact on HRAD in listed financial firms in Nigeria.***

### 2.3.2. Board Independence

Board independence as defined by Haniff and Cooke (2002) is the proportion of independent directors to the total board of directors. Having more independent directors, most especially non-executive members may be seen as a method of resolving the issue of favoring the interest of managers over that of the shareholders. Cotter and Silvester (2003) state that having independent non-executive directors put the board in a better position to monitor executive management and can possibly influence the level of disclosure.

Consequently, several studies have examined the relationship between board independence and human resource accounting disclosure with varying results. For example, Taliyang and Jusop (2011) examine the relationship between human intellectual capital disclosure and board composition among other corporate governance variables in Malaysian public listed companies. A sample of 150 companies listed in Bursa Malaysia was selected consisting of five industries which are Information Technology, Consumer Product, Industrial Product, Trading/Services and Finance. The study used a secondary data gathered from sources of annual reports of the companies for 2009 and the findings reveal that board independence has no statistically significant effect on the level of human capital disclosure.

Zhang (2012) investigate the influence of board independence as an aspect of board structure on the level of human intellectual capital disclosure. It employs a sample of 155 firms listed on the New Zealand Exchange covering a total of 519 firm-years over the period between 2008-2011. A self-developed disclosure index and multiple regression analysis are employed to test the hypothesised relationships. The results indicated that board independence has a significant positive impact on the level of intellectual capital disclosure; hence, the higher the number of independent directors on the board, the higher the extent of human capital disclosure.

Muttakin, Khan and Belal (2015) empirically examine the relationship existing between human intellectual capital disclosure and board independence amongst other factors of corporate governance for companies listed on the Dhaka stock exchange (DSE). The sample for the study includes 580 firm-year observation for a period of five years from 2005-2009 and the findings show a significant positive relationship between board independence and the level of human intellectual capital disclosures among firms in Bangladesh.

Iqbal and Zaib (2017) investigate corporate governance of which includes board independence and human intellectual capital disclosure in Pakistan. The study used panel data of 27 listed banks with time series of 2008 – 2015, the banks were grouped into two; commercial banks and then microfinance and investment banks. Their findings reveal that board independence has a positive and significant relationship with the level of value added human intellectual capital disclosures in commercial banks, whereas in microfinance and investment banks showed an insignificant effect on the extent of disclosure. In the light of the above, the research hypothesis is specified thus;

***H<sub>02</sub>: Board Independence has no significant impact on HRAD in listed financial firms in Nigeria.***

### 2.3.3. Board Gender Diversity and HRAD

There are growing studies that examined the notion of having female director inside the boards. The arguments that lie behind the idea that board diversity improves a competitive advantage of a firm are based on intuitive reasoning (Robinson & Dechant 1997). Additionally, the view is also held that gender diverse board can enhance the capacity for problem-solving as the variety of perspectives that emerge from a more diverse board allow more alternatives to be observed. A few studies have attempted to examine the relationship between board gender diversity and human resource and intellectual capital disclosures with findings showing mixed outcomes. For example, Tejedo-Romero, Rodrigues and Craig (2017) uses a resource-based perspective and balanced panel data analysis to explore whether the representation of women on the boards of directors of Spanish companies is associated with an increase in voluntary disclosure of information concerning intellectual capital [IC]. The study finds that gender diversity is a complementary corporate governance mechanism that has a significant positive effect on levels of disclosure of IC information.

Nadeem, De Silva, Gan and Zaman (2017) investigate the relationship between boardroom gender diversity and intellectual capital (IC) efficiency disclosure in China. A well-developed Arrelano–Bond generalised method of moment (GMM) is applied to account for endogeneity – mainly because of simultaneity and unobserved heterogeneity. Moreover, this study uses an adjusted-value added intellectual coefficient (VAIC) model to measure the IC efficiency of 906 Chinese listed firms for

2010-2014. The empirical analysis shows a significant relationship between gender diversity and IC efficiency, in static ordinary least square estimation, but this disappears when endogeneity is accounted for using dynamic GMM

Nadeem (2019) examines the impact of boardroom gender diversity (BGD) on voluntary intellectual capital (IC) disclosure in initial public offering (IPO) prospectuses in China. Based on a comprehensive content analysis between 2009 and 2017 and measuring disclosure index at 78 dimensions under six broad categories of IC, the empirical results document (a) a significant positive relation between BGD and IC disclosure in line with resource dependence theory, (b) a significant negative impact of female independent directors on IC disclosure opposite to agency theory predictions, and that (c) the BGD–IC disclosure relationship is generally stronger for firms with two or more women on boards in line with critical mass theory.

In the light of the above, the research hypothesis is specified thus;

***H<sub>03</sub>: Board Gender Diversity has no significant impact on HRAD in listed financial firms in Nigeria.***

#### **2.3.4. Institutional ownership and HRAD**

Institutional ownership has to do with having part of the ownership rights of a firm being held by other firms or organization. Previous studies suggest that a high level of institutional ownership can play a crucial role on corporate governance mechanism (Alves, 2011).

Previous studies have suggested that the percentage of institutional ownership influences the extent of voluntary disclosures (Al-Akra, Eddie, & Ali, 2010; Haniffa & Cooke, 2002). Due to language barriers, lack of local contextual knowledge and the geographical separation between management and owners, foreign investors are likely to face a higher level of information asymmetry (Haniffa & Cooke, 2002). Thus, it is expected that institutional investors will demand more voluntary disclosures, including human resource disclosure. It is also expected that institutional investors in emerging markets, will demand a higher extent of disclosures from companies, as these investors face more uncertainty and unfamiliarity than local investors (Al-Akra, et al., 2010). Accordingly, it is likely that institutional investors will influence the corporate disclosure practices, including human resource disclosures.

Isah, Bilyaminu and Khadija (2014) examine the moderating effect of institutional ownership on intellectual capital disclosure of conglomerates in Nigeria. Correlational research design which is based on historical data extracted from annual report and accounts of the sample firm on NSE. Firms were chosen based on censor sampling method. Eleven years of financial data were used. Multiple regression analysis was employed to analyze the data extracted. The results from pooled ordinary least square regression (OLS) and fixed effect revealed that intellectual capital indexed by a value-added intellectual coefficient (VAIC) has a positive and significant interaction relationship with institutional ownership. In the light of the above, the research hypothesis is specified thus;

***H<sub>03</sub>: Institutional Ownership has no significant impact on HRAD in listed financial firms in Nigeria.***

#### **2.3.5. Audit Committee Size HRAD**

The role of audit committee is to review the preparation of company's financial statements as well as the disclosure of value-relevant information such as human intellectual capital. As an internal governance mechanism, an effective audit committee should improve internal control, act as a means of attenuating agency costs, and be a powerful monitoring device for improving human intellectual capital (Li et al., 2012). Haji (2018) examines audit committee size as one of the attributes of audit committee and the impact on the disclosure of human intellectual capital information in Malaysia from 2008 to 2010. The findings reveal a significant positive relationship between the size of the audit committee and the disclosure of human capital disclosure. Larger audit committee size shows more knowledge and expertise on the reasons for disclosing more human capital information.

Taliyang and Jusop (2011) examine the relationship between human intellectual capital disclosure and audit committee size among other corporate governance variables in Malaysian public listed companies. A sample of 150 companies listed in Bursa Malaysia was selected consisting of five industries which are Information Technology, Consumer Product, Industrial Product, Trading/Services and Finance. The study used a secondary data gathered from sources of annual reports of the companies for 2009. The findings reveal that the size of the audit committee has no

statistically significant effect on the level of human capital disclosure. In the light of the above, the research hypothesis is specified thus;

***H<sub>05</sub>: Audit Committee size has no significant impact on HRAD in listed financial firms in Nigeria.***

**2.4. Theoretical Framework-Resource-Based Theory**

Resource-based theories provide explanations on how firms can create value by managing their resources, including human capital, strategically. According to the theory, human capital resources within a firm that are valuable, unique and difficult to imitate will provide firms with competitive advantage (Barney, 1991). For companies that are particularly dependent on employees, financiers and others for survival and growth, there is strong incentive to disclose human capital information as it will not only increase the opportunity to attract and retain human resources but also to get the necessary contacts, networking, and official sanction via important figures in society (Huang et al., 2013). Hence, firms should disclose information on human capital such as experience, qualifications, training, and leadership since these help firms to create value in the capital market. The resource-based theory indicated that human resource provides a source of sustained competitive advantage which consists of four basic requirements of value, rare, imitable and organization that must be present within the organization’s human resource at all times (Adebawojo *et al.*, 2015)

**3. METHODOLOGY**

The study employs a longitudinal research design. The sample for the study is 33 financial sector companies which have available and accessible annual reports that cover the study period between 2009-2018. The method of sampling was done using convenience or judgemental sampling technique. Secondary data was used for this study. The data was retrieved from corporate annual reports of the sampled quoted on the Nigeria Stock Exchange companies for the period 2009-2018 financial years. The researcher utilizes only corporate annual reports because they are readily available, accessible and also provide a greater potential for comparability of results. The effect of corporate governance on HRAD was analysed using panel regression. The study made use of panel data regression as the technique for estimating the econometric models specified in this chapter. Panel data regression is chosen because of the multidimensional nature of the data which has both time or periodic dimension and also cross-sectional dimension.

**Model Specification**

This model examines the relationship between corporate governance and human resource disclosure in Nigerian quoted companies. The model builds on the studies of Iqbal and Zaib (2017), Muttakin, Khan and Belal (2015) and Haji (2018). The models are specified below;

$$HC_{i,t} = \alpha + \sum_j^k \delta_j CGOV_{ji,t} + \sum_j^k \delta_j \tilde{\theta}_{ji,t} + \varepsilon_{it} \quad j = 1, \dots, k; i = 1 \dots n; t = 1 \dots T \quad \text{--- (i)}$$

$$HRIE = \phi_0 + \phi_1 BDS_{it} + \phi_2 BIND_{it} + \phi_3 BGD_{it} + \phi_4 AUDC_{it} + \phi_5 INSTOWN_{it} + \mu_{it} \quad \text{--- (ii)}$$

where: HR= Human resource disclosures, CG= Corporate Governance, HRIE= Human capital Investment and Expenditure, BDS= Board size, BIND= Board independence, BGD= Board gender diversity AUDC= Audit committee size, INSTOWN= Institutional ownership, U= error term, i= firm i and t= time t

Table 1: Variable Measurement and Source

Variable	Definition	Measurement	Source	Aprori sign
HRAD	Human Resource Accounting Disclosures	Human capital expenditures made by company i at time t	Abeysekera, 2008; Abeysekera and Guthrie, 2004; ACCA, 2009;	
BIND	Board independence	Ratio of non-executive directors on the board	Bello, (2011)	+
BDSIZE	Board Size	Number of individuals on the board	Kankanamage,(2015).	+
BGD	Board gender diversity	Ratio of females on the corporate board of directors	Kao and Chen, (2004).	+
INSTOWN	Institutional ownership	% of shares owned by institutions	Bello, (2011)	
AUDC	Audit committee size	Number of individuals on the audit committee	Karamanou, & Vafeas, (2005).	-

#### 4. PRESENTATION AND ANALYSIS OF RESULT

Table 4.1: Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Jarque-Bera	Probability
HRIE	28646667	1871121	7.31E+08	0.00.	85906526	11647.12	0.000
BDS	8.383143	8	15	4	2.39365	22.49557	0.00
BDIND	0.743793	0.67	0.93	0	0.153635	42.50002	0.00
BGD	0.087931	0.1	0.38	0	0.094671	26.06121	0.000
INSTOWN	0.54287	0.63	1	0	0.26649	24.71077	0.000
AUDC	5.639847	6	7	3	0.759923	189.9887	0.000

Source: Researchers compilation (2020).

The descriptive statistics is presented in table 4.1 and as observed, the mean for human resource Investment expenditure (HRIE) stood at 2864667mn. From the annual report analysis these expenditures were mostly in the categories of salaries and wages which accounted for most of such human resource expenditure and then there is training and development expenditure and then others employee related expenditures. Salaries and wages has always been the starting point even in measuring firms' investment in human capital using different approaches (Lev and Schwartz, 1971; Brummet et al., 1968; Flamholtz, 1972; Edvinsson, 1997; Sveiby, 1997 and Pulic, 2000). The standard deviation if 85906526 is very large which indicates that HRIE expenditures varies considerably from one firm to another and this is despite the fact that all firms are in the financial services industry. The BDS has mean of approximately nine (9) members with a standard deviation of 2.39 indicating the extent of dispersion from the mean. Though there is yet no consensus on what an optima board size should be, the argument is that board size should reflect all stakeholder/shareholder interest. The maximum and minimum values stood at 15 and 4 respectively.

BDIND has mean value of 0.64 which indicates that on the average about 64% of board members are independent members with a standard deviation of 0.15. This ratio is commendable and if properly engaged can improves the board objectivity, reduce agency cost and improve board and corporate reputation. The mean for Audit committee size is 5.6 and this suggest that on the average the number of audit committee members are about 6 with a maximum of 6 and minimum of 3. The mean for institutional ownership (INSTOWN) stood at 0.544 which indicates the presence moderate institutional ownership presence in financial industry firms with a standard deviation of 0.266. The mean for board gender diversity (BGD) stood at 0.09 with maximum and minimum values of 0.38 and

0 respectively. The mean is still quite low and suggest that on the average gender representation at corporate boards in the financial industry still needs to be improved in response to global glamour for more gender-diverse boards.

**Table 4.2: Pearson Correlation Matrix**

	BDS	BDIND	BGD	INSTOWN	AUDC	HRIE
BDS	1					
p-value						
BDIND	0.2776	1				
p-value	0.00*					
BGD	-0.021	-0.084	1			
p-value	0.7303	0.1746				
INSTOWN	0.1041	0.2707	-0.223	1		
p-value	0.0931	0	0.0003			
AUDC	0.091	0.0137	0.08	-0.06697	1	
p-value	0.1428	0.8254	0.180	0.281		
HRAD	-0.043	0.1354	0.0765	-0.057	-0.125	1
p-value	0.4869	0.0288*	0.2177	0.357	0.0439*	

Source: Researchers compilation (2020). \* sig @5%, \*\*sig @ 10%

Table 4.2 shows the correlation statistics for the variables and the focus for the study is the correlations between the human resource disclosures and the independent variables. The results reveal that HRIE is positively correlated with BDIND (r= 0.1354), BGD(r=0.0765), LEV(r=0.169) and ROE (r=0.1243) and negatively correlated with BDS(r=-0.043), INSTOWN(r=0.057) and AUDC (r=-0.125). The correlations are however significant for BDIND, and AUDC with p-values of 0.0288 and 0.0439 respectively. The results suggest that increases in the significant variables could be associated with increases in HRAD and vice-versa.

**Table 4.3 Variance Inflation Factor Test**

Variable	VIF
BDS	1.708008
BDIND	3.133199
BGD	2.207941
INSTOWN	1.138657
AUDC	1.138657

Source: Researcher’s compilation (2018)

The variance inflation factor (VIF) explains how much of the variance of a coefficient estimate of a regressor has been inflated, as a result of collinearity with the other regressors. Essentially, VIFs above 10 are seen as a cause of concern as observed, none of the variables have VIF’s values more than 10 and hence none gave serious indication of multicollinearity.



**Table 4.4. Corporate governance and HRAD Regression**

<i>Variable</i>	Aprori Sign	Fixed Effects Model	Random Effects Model
<i>C</i>	+	294.86* (6488.4) {0.000}	270.38 (237.02) {0.2548}
<i>BDS</i>	+	-137.09* (206.3) {0.000}	-969.454 (942.03) {0.3042}
<i>BDIND</i>	+	126.011* (483.47) {0.009}	107.833 (119.08) {0.3659}
<i>BGD</i>	+	233.34 (3998.7) {0.5599}	-246.25 (218.34) {0.3042}
<i>INSTOWN</i>		133.172* (236.65) {0.000}	188.45 (125.31) {0.1336}
<i>AUDC</i>		-357.65* (123.78) {0.0041}	-231.62 (264.98) {0.3827}
<i>Model Parameters</i>			
$R^2$		0.553	0.0142
Adjusted $R^2$		0.514	0.0007
F-statistic		11.94	0.9548
Prob(F-stat)		0.00	0.445
Durbin-Watson		1.83	0.459
Ramsey Reset test	0.476		
Hausman	0.042		
Period Hetero.Test	0.781		
Cross-section Hetero.Test	0.249		

Source: Researcher's compilation (2020) using Eviews 10. \* sig @5%, \*\* sig @ 10%

Table 4.4 show the regression results examining the impact of corporate governance on HRAD. The fixed effects (FE) results based on the Hausman test value ( $p=0.042$ ) is used as the preferred estimation. The  $R^2$  for the regression stood at 0.553 with indicates that corporate governance is able to account for about 55.3% of systematic variations in HRAD with an adjusted value of 51.4%. The F-stat is 11.94 ( $p$ -value = 0.00) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model. The analysis of coefficients reveals that BDS has a negative (-137.09) effect HRAD which is statistically significant at 5% ( $p=0.000$ ). This implies that increasing board size results in a decline in HRAD and hence the hypothesis  $H_{01}$  is rejected. In terms of the statistical significance of BDS, the finding is consistent with Iqbal and Zaib (2017), Zhang (2012) and Abeysekera (2010) though all three findings identified a positive effect.

BDIND has a positive (126.011) effect on the HRAD which is statistically significant at 5% ( $p=0.009$ ). The result implies that higher number of independent directors results in an increase in HRAD and hence the hypothesis  $H_{02}$  is rejected. The finding is in tandem with Muttakin, Khan and Belal (2015) which show a significant positive relationship between board independence and the level of human intellectual capital disclosures among firms in Bangladesh, Zhang (2012) which showed that the higher the number of independent directors on the board, the higher the extent of human capital disclosure and Iqbal and Zaib (2017) which reveal that board independence has a positive and significant relationship with the level of value added human intellectual capital disclosures in commercial banks. The finding is however at variance with Taliyang and Jusop (2011) which reveal that board independence has no statistically significant effect on the level of human capital disclosure. BGD has a positive (233.34) effect though not statistically significant at 5% ( $p=0.2182$ ) and hence the hypothesis  $H_{03}$  is accepted. The study finding is at variance with Tejedo-Romero, Rodrigues and Craig (2017) which finds that gender diversity has a significant positive effect on levels of disclosure of IC

information. Also, the study of Nadeem, De Silva, Gan and Zaman (2017) shows a significant relationship between gender diversity and IC efficiency, in static ordinary least square estimation, but this disappears when endogeneity is accounted for using dynamic GMM

INSTOWN has a positive (133.17) effect on HRAD which is statistically significant at 5% ( $p=0.000$ ) and hence the hypothesis  $H_{04}$  is rejected. This implies that an increase in institutional ownership will result in an increase in HRAD Previous studies have suggested that the percentage of institutional ownership influences the extent of voluntary disclosures (Al-Akra, Eddie, & Ali, 2010; Haniffa & Cooke, 2002). Thus, it is expected that institutional investors will demand more voluntary disclosures, including human resource disclosure. AUDC has a negative effect (-357.65) effect on HRAD which is statistically significant at 5% ( $p=0.004$ ) and hence the hypothesis  $H_{05}$  is rejected. The result thus indicates that increasing the audit committee size does not increase the level of HRAD. Haji (2018) findings reveal a significant positive relationship between the size of the audit committee and the disclosure of human capital disclosure. Taliyang and Jusop (2011) reveal that the size of the audit committee has no statistically significant effect on the level of human capital disclosure.

## 5.2 CONCLUSION

The economics of disclosure quality in an environment of zero regulation on the disclosure item implies that companies have the incentives for self-maximizing tendencies in corporate reporting and in dealing with the questions of what, when and how such recognition and disclosure should be done. Research study into human resource recognition and disclosures have come a long way and is still evolving and in modest terms, can be regarded as one of the most debatable areas of corporate reporting. This study looks into the factors affecting human resource disclosures in corporate reports of non-financial firms in Nigeria. The findings of the study reveal that the fixed effect coefficients reveal that Board size has a negative effect HRAD which is significant at 5% ( $p=0.000$ ). Board independence is positive and significant at 5% ( $p=0.009$ ). Board gender diversity has a positive but not significant at 5% ( $p=0.2182$ ). Institutional ownership and Audit committee size are significant. The study recommends that there is the need for companies to improve the level of human resource disclosures in corporate reports. In addition, companies must adopt more robust methodologies for assessing the relevance of human resource as an asset to the company and not just an expense. In this regard, it is recommended the corporate governance should ensure that management puts emphasis on human resource disclosures by encouraging the voluntary disclosure of value-added human resource activity. In addition, there is the need for an appropriate framework for accounting and financial reporting recognition of human capital investment. Though the adoption of international financial reporting standard (IFRS) recognised the disclosure of intangible assets such as human resources in the corporate reports, no clear reporting framework standard is presented.

## REFERENCES

- Abeysekera, I. (2010). The influence of board size on intellectual capital disclosure by Kenyan listed firms. *Journal of Intellectual Capital*, 11 (4), 504-518.
- Abeysekera, I. (2008). Motivations behind human capital disclosure in annual reports. *Accounting Forum*, 32(1), 16-29.
- Adebawojo O A, Enyi P E and Adebawo O.O (2015), 'Human Asset Accounting and Corporate Performance' *American International Journal of Contemporary Research*. 5(1)
- Adelowotan, M. O. (2013). Human capital disclosures in corporate annual reports. University of South Africa, *Working Paper*.
- Anandarajah, K., (2004) Corporate Governance in Asia, ISI Publication Limited, Hong Kong.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99-120.
- Bedard, J., Chtourou, S. M. & Croteau, L. (2004). The effect of audit committee expertise, independence and activity on aggressive earnings management. *Auditing: A Journal of Practice and Theory*, 23(2), 13-35.
- Bullen, M. L., & Eyler, K. (2010). Human resource accounting and international development: Implication for measurement of human capital. *Journal of Internal business and Cultural Studies*, 1-16.

- Cotter, J. & Sylvester, M. (2003). Board and monitoring committee independence. *Abacus*, 39(2), 211-232.
- Haji, A. A. (2018). The role of audit committee in intellectual capital disclosure: Evidence from Malaysia. *Managerial Auditing Journal*, 30(8), 756-784.
- Haniffa, R. & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus*, 38(3), 317-349.
- Hartley, V & Robey, D. (2005). Reporting on human capital management. IES Report 423.
- Hausman, J. A. (1978). Specification test in econometrics. *Econometrica*, 46, 1251-1272.
- Huang, C. C., Luther, R., Tayles, M. & Roszaini, H. (2013). Human capital disclosures in developing countries: Figureheads and value creators. *Journal of Applied Accounting Research*, 14(2), 180-196.
- Iqbal, J., & Zaib, J. (2017). Corporate governance, intellectual capital and financial performance of banks listed in Pakistan stock exchange. *Pakistan Administrative Review*, 1(3), 175-196.
- Jensen, M. C. & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency Costs and ownership structure. *Journal of Financial Economics*, 3, 305-360.
- Kalpana, R. & Gopinath, R. (2013). Trends and issues of human resource accounting. Conference on international seminar on global competitiveness: A challenge for sustenance and excellence. Jamal Mohamed College, Tiruchirappalli.
- Li, J., Mangena, M. & Pike, R. (2012). The effect of audit committee characteristics on intellectual capital disclosure. *The British Accounting Review*, 44(2), 98-110.
- Muttakin, M. B., Khan, A. & Belal, A. R. (2015). Intellectual capital disclosures and corporate governance: An empirical examination. *Advances in Accounting*, 31(2), 219-227.
- Osemeke, M. (2017). Human Resources Accounting: Issues, Benefits and challenges. *International Journal of economics, finance and management sciences* 5(3) 129-138.
- Pelayo-Maciel, J., Calderón-Hernández, G. & SernaGómez, H.M., 2012, 'Corporate governance structure and its impact on human resource management and financial performance', *China-USA Business Review*. 11, pp. 1133-1145.
- Roslender, R. & Fincham, R. (2001). Thinking critically about intellectual capital accounting. *Accounting, Auditing and Accountability Journal*, 14(4), 383 - 398.
- Roslender, R. (1992), *Sociological Perspectives on Modern Accountancy*, London:
- Roslender, R. (2004). The prospect for satisfactory measuring and reporting intangibles time to embrace a new model of accounting; *Journal of Human Resource Costing and Accounting* 13(14) 338-359  
Routledge.
- Supangco, V. T., 2006, 'HR Involvement in Corporate Governance', *Philippine Management Review*, 13, pp. 101-116.
- Taliyang, S. M. & Jusop, M. (2011). Intellectual capital disclosure and corporate governance structures: Evidence in Malaysia. *International Journal of Business and Management*, 6(12), 109-117.
- Zahra, M., & Nasrollah, T. (2012). The impact of intellectual capital disclosure on capital markets: An overview. *Business Intelligence Journal*, 15(2), 267-270.
- Zhang, M. (2012). Board structure, ownership concentration and intellectual capital. Victoria University of Wellington. *Doctor of Philosophy Thesis*.