

## **An Assessment of Human Resource Capital and Goodwill: A Study of Selected Commercial Banks in Nigeria**

**Ifurueze S. Meshack<sup>1\*</sup>, Binglar Paymaster<sup>2</sup>, Etyale Lyndon<sup>3</sup>**

<sup>1</sup>Department of Accountancy, Anambra State University, Igbariam Campus

<sup>2</sup>Department of Finance and Banking, Niger Delta University, Yenoga

<sup>3</sup>Department of Finance and Banking, Niger Delta University, Yenoga

\*Correspondence: Ifurueze .S. Meshack, Department of Accountancy, Anambra State University, Igbariam Campus, Anambra State, Nigeria. Tel: 08033248797; E-mail: [mifurueze@yahoo.com](mailto:mifurueze@yahoo.com)

**Abstract:** The study assessed the impact of human resource capital on goodwill in the Banking Sector of Nigeria, by a survey of ten (10) commercial Banks quoted in the Nigerian Stock Exchange. Data were obtained from the annual report and accounts of the selected banks under study. The relevant data were subjected to statistical analysis. The results of the study revealed that there is a positive and significance relationship between Human Resource Capital and Goodwill in the Banking Sector. It was also empirically verified that the inclusion of human resource capital value in the balance sheet of firms does help investors to make more rational investment decisions. The researchers recommended that, financial regulatory bodies such as IASB, IFRSB, FRCN, NSE, SEC, etc. should put in place polices to effect the inclusion of human resource capital value in the financial reports of Nigerian Companies.

**JEL Classifications:** M41

**Keywords:** Human resource capital, Goodwill, Investment decisions, Banking sector, Human asset

### **1. Introduction**

We live in an era of information age that forced companies to see knowledge as an asset. Wiig (1999) states that Globalization has placed businesses everywhere in new and different competitive situations where knowledge has come to provide the competitive edge.

In mission statements, annual reports and annual general meetings, organizations declare that “our greatest assets are our people”. Mayo (2006) posits that people are often spoken of as assets, but are generally treated as cost because there is no credible system of valuing them. Fajana (2002) asserts that current accounting procedures deal with human resources as expenses rather than an investment. According to Fajana (2002) under conventional accounting system, utilization of money and materials are reported whereas, the value of human resources is seldom incorporated in financial statements. Human Capital Accounting relates to the qualification in monetary terms (eg. By calculating the capital value of human resources employed by an organization. A Well-developed system of human resource accounting could contribute to internal decisions by management and external decisions by investors (Fajana, 2002). Rao (2005) opines that human capital accounting helps potential investors judge a company better on the strength of human assets utilized. Thus, if two companies offer the same rate of return on capital employed, information on human resources can help investors decide which company to choose for investment. Until recently,

the value of an enterprise as measured by the traditional balance sheet was viewed as sufficient reflection of the enterprise's assets. However with the emergence of the knowledge-based economy, the traditional valuation has been called to question, due to the recognition that human resource capital is an increasingly important part of an enterprise total value (Bhargava, 1991), perhaps it was the realization of the short comings of the traditional balance sheet as a basis of business performance evaluation that led experts to develop a framework that incorporates all qualitative and abstract measures of true importance of a firm, called the balanced scorecard helps provide a more comprehensive view of a business. This in turn helps organization to act in their best long-term interest. The financial objectives are therefore balanced with customer, process and employee perspectives.

Marshall (1961) had also said that the most valuable of capital is that invested in human beings. However, unlike capital invested in other assets, the balance sheet does not exhibit this most vital asset. For a long time, Accountants have not given due consideration to the "employee value" in the enterprise. The heavy amounts incurred on recruitment, selection, placement, training and development of personnel were generally treated as revenue expenditures and debited to profit and loss account of the period they were incurred. Proper appreciation of human capital accounting will help management take suitable decisions regarding investment in human resources. It will also provide comparative information regarding costs and benefits associated with investments in human assets.

### **1.1 Statement of the Problem**

According to Marshall (1961), the most valuable of capital is that invested in human beings. However, no empirical studies on human resource capital nexus in Nigeria has included the impact of human resource capital on good will, its inclusion in the firms balance sheet and a conceptual model to evaluate the Human Resource capital value in order to help investors make rational investment decisions in the Banking sector of Nigeria.

Therefore, the study is designed to fill this crucial gap in assessment the impact of human resource capital on good will in the Banking sector of Nigeria.

The Nigerian Banking sector does not reflect human capital value in their companies balance sheet unlike capital invested in other assets. However, the balance sheet does not exhibit this most vital asset. For a long time, accountants have not given due consideration to the "employee value" in the enterprise.

In Nigeria, in the year 2006 Unilever invested over N40 million in training its employees, besides in-house programmes to develop staff, and mutual expatriation of employees in sister companies abroad. As far back as 1988, Nigerian Breweries Plc invested more than N88 million in local and overseas training of staff. Access Bank Plc in 2007 commenced construction of an Access Bank Campus otherwise called Access University of Banking Excellence. Wema Bank Plc has a policy of sending each staff to relevant training for at least 50 hours in each financial year. These heavy investments to train and retain quality staff are not reflected in the balance sheet of these various companies.

### **1.2 Objective and Hypotheses of the Study**

The main objective of the study is to assess the impact of human resource capital on goodwill in the Banking sector of Nigeria. To achieve this, two hypotheses were formulated for the purpose of this study. They were stated in the Null (H<sub>0</sub>) and Alternative (H<sub>1</sub>) Forms to enable the use of statistical test on the data collected:

**Hypothesis One:** There is no significant relationship between Human Resource Capital and Goodwill in the Banking sector of Nigeria

**Hypothesis Two:** That the inclusion of human resource capital value in the balance sheet of firms does not help investors make more rational investment decisions.

### 1.3 Review of Empirical Studies

Okpala and Chidi (2010) studied human capital Accounting and its relevance to stock investment decisions in Nigeria. The study revealed that human capital should be made necessary element of financial reporting. The quality of management and employees are key factors in investment decisions. Also, human assets value is a critical success factor in investment attraction and in mergers and acquisition.

Akinyemi (2012) under took a study on human resource development climate as a predictor of citizenship behavior and voluntary Turnover intentions in the Banking sector. The study revealed that there is a significant relationship between human resource development climate and organizational citizenship behavior. Also A significant relationship also exists between human resource development climate and voluntary Turnover intentions.

Fiona (2011) studied human capital as an important factor for the success of an organization. The study revealed that human capital which consists of current task-related knowledge and skills has a positive relationship with the success of a business.

Azubike (2011) studied accounting for human capital and intellectual property. The study revealed that the winning interplay of various factors of human capital increases a company's cash flow.

Zanjirdar and Chogha (2012) studied the evaluation of relationship between the intellectual capital and earning equality indexes in emerging economics in Iran's financial market. The study explored the simple regression and correlation coefficients statistical methods in data analysis. The study revealed that there is a meaningful relationship between the intellectual capital and earning quality indexes. The increasing importance of intellectual capital in the excellence process of firms is revealed and so it makes it necessary to identify and recognize knowledge information and framework development for knowledge management in the organizations.

Wang (2011) studied intellectual capital and firm performance. The study revealed that there is a significant relationship between intellectual capital and firm performance. That human resource capital has high significant on return on asset and price to book ratio. Somehow, managers consider the performance of them own evaluated, as far as possible they reduce the cost of human and rise up the profit.

Barney (1991) studied firm resources and sustained competitive advantage. The study revealed that employees are regarded as assets and investment in human asset by the firm will generate worthwhile returns. Also, sustainable competitive advantage is attained when the firm has human resource pool that cannot be imitated or substituted by its rivals.

Amaefule (2008) studied human capital accounting-should employees be classified as assets. The study revealed that the idea of treating people as assets simply lead to management ownership or control of employees.

Hendricks (1976) studied the impact of human resource accounting information on stock investment decisions. The study revealed that corporate success depends on the ability and knowledge of people who can easily adapt to technological charges and drive organization to attain its goals and objectives

Flamholtz, Bullen, and Hua (2002) studied the historical perspective and future implication of human resource accounting. The study revealed that human capital accounting provides inspiration for investors and management of firms to assess the validity in valuing and costing human capital.

The study equally revealed the potential use of human capital accounting as managerial tool and analyzed the deficiencies of treating employee costs as expenses rather than assets.

Paperman (1977) studied the current status of human resource capital in the firms. The study revealed that firms engaging in the production of goods are different from those providing services and it may not be feasible to use the same human capital accounting methods for them. That individual's value to organization as the present worth of the set of future services the person is expected to provide during the period is anticipated to remain in the organization

Gebauer (2003) studied information systems on human capital in service sector organizations. The study revealed that evaluation in human resource accounting has different requirements and that creates barriers for uniform method. Management could manipulate figures to suit its interest. All these challenges and criticisms hinder the progress of human resource accounting.

#### **1.4 Business and Stock Valuation**

Business valuation is a process and a set of procedures used to estimate the economic value of an owner's interest in a business. Valuation is used by financial market participants to determine the price they are willing to pay or receive to consummate a sale of business.

An important element of business/stock valuation is the examination of existing economic conditions in the economy as well as that of the industry in which the business operates (Mayo, 2001). Another element is the financial statement analysis. Generally, this involves common size analysis. Three different approaches are commonly used in business/stock valuation. The income approach, the asset based approach and the market approach (Anderson, 2005). Under the income approach fair market value is determined by multiplying the benefit stream generated by a discount or capitalization rate to convert them into present value. There are several income approaches including capitalization of earnings or cash flows, discounted future cash flows and excess earnings method. Most of them are based on historical financial data. The discount or capitalization rates can be determined using different methods such as Capital Asset Pricing Model (CAPM), Weighted Average Cost of Capital (WACC) Build up Method (Wikipedia, 2008). The theory underlining the asset-based approaches to business valuation is "value of business is equal to the sum of its parts". In other words, an investor will not pay more for business assets than the cost of procuring assets of similar economic utility. The market approaches to business valuation is rooted in the economic principle of competition: supply and demand forces. In a free market, competition will drive the price of business assets to certain equilibrium (Hitchner, 2003). It is common practice for investors to use Price Earnings Ratio (P/E) to determine if a company's shares are over-valued / under-valued. The primary component here is price of the stock and earnings of the company. Earnings represent profits calculated by taking hard figures into account, revenue, cost of goods sold, salaries, rents etc.

However, valuing a company's shares involves more than just crushing and attempting to forecast the company's cash flow (First Trustees, 2008). It also involves analyzing the more subjective and qualitative aspects of a business also known as qualitative analysis. While the quantitative analysis (financial analysis) is mainly concerned with numerical attributes usually found in the Balance Sheet, Profit and Loss Account and Cash Flow Statements, qualitative analysis involves the non-numerical attributes of the company such as management, employees moral, customer loyalty and brand value. Such aspects as quality of staff, competitive advantage, reputation etc are highly intangible. Human Capital/Resource Accounting brings such of these qualitative aspects of company valuation as Management, Employee loyalty, Culture etc into the fundamental analysis. The underlying concepts of human resource accounting are:

- People are valuable resources of an enterprise

- The usefulness of manpower as an organizational resource is determined by the way in which it is managed; and
- Information on investment and value of human resources is useful for decision making in the enterprise.
- The specific objectives of human resources measurement include:
  - To assist management in taking suitable decisions regarding investment in human resources.
  - To provide information to all people concerned regarding the earning potential of human resources.
  - To access the efficiency of human resources in obtaining productivity and profitability; and
  - To provide comparative information regarding benefits associated with investments in human assets.

Its advocates insist that the information generated by Human Resource Accounting Systems can be put to use for taking a variety of managerial decisions like recruitment, planning, turnover analysis, personnel advancement analysis and capital budgeting, which can help companies save a lot of trouble in the future. Since intellectual assets of a company are often worth three or four times the tangible book value, it is further suggested that information for investors about intellectual capital, both current and future should occupy at least one third of their annual reports. Human Resource Accounting is indeed, an extension of the accounting principles of matching costs and revenues and of organizing data to communicate relevant information in financial terms. One of the pioneers who developed a model to measure human capital was Roger Hermanson, through his monograph, "Accounting for Human Assets" (1984, 1986) which provides inspiration for researchers to assess the validity in valuing and costing human capital. Researchers from the mid 60s to 70s were, formulated the present and potential uses of Human Capital Accounting as a tool for human resource professional, human capital accounting was then seen mainly as managerial tool (Flamholtz *et al.*, 2002). In their study, they analyzed the deficiencies of treating employee costs as expense rather than assets.

### **1.5 Criticism and Challenges of Human Capital Accounting**

The key challenges of human accounting are the best way to value human capital. Various methods for accounting for human resources have emerged, aimed at measuring, developing and managing the human capital in an enterprise. None of these methods however is generally accepted. There are three main methods competing for acceptance; the original cost method by Brummet; the replacement cost method by Likert (1967); and the present value method by Flamholtz *et al.* (2002). Brummet suggests that costs of training and development which are parts of original costs should be capitalized. His argument is that training and development are expected to have ongoing benefits to the employee and to the organization and as such would provide future benefits over years. On the other hand, he suggested that other costs associated with recruitment should be expensed as the period costs. Replacement cost method by Likert (1967) suggests that the cost of employee should be valued based on what the organization would have to sacrifice to replace an employee if he/she leaves the organization. In essence, this "includes the cost attributable to the turnover of a present employee, as well as the costs of acquiring and developing a replacement". In his present value method, Flamholtz *et al.* (2002) suggested that people should be valued at the present value of expected future services to be rendered to the organization. Thus, Flamholtz *et al.* (2002) defines individual's value to organization as the present worth of the set of future services the person is expected to provide during the period he/she is anticipated to remain in the organization. Of the

three methods, the original cost method has been implemented by few companies like R. G. Barry (Proffitt, 1974). Others include Atlanta Braves, Flying Tigers Corp., Upjohn Co., and Touche Ross & Co. (Paperman, 1977). As of now, there are no data available to compare the validity of the accounting methods. Of all these methods, no single approach satisfies all organizational and professional interests. Firms engaging in the production of goods are different from those providing services and it may not be feasible to use the same Human Capital Accounting methods for them. For example, in an auditing firm a member of staff may be measured by the number of bills he/she generates in a month, while a manufacturing industry, an employee cannot be directly associated with finished product, because such products passes through several hands and units.

There is also the fear that Human Capital Accounting may be used by management to manipulate financial statement. With the collapse of Enron, WorldCom and many others due to the so-called creative accounting, many are of the view that Human Capital Accounting will give avenue to management to manipulate financial statement. Appelbaum and Hood (1993) opine that assigning value to employees could become very low motivator for some employees that thinks highly of their jobs than the value assigned by management. Some also criticize strongly the documentation of people as book assets. Their argument is that it presents employees as property of an organization. Evaluation in Human Resource Accounting requires a lot of estimation of data which is susceptible to manipulation. Management could manipulate figures to suit its interest. Different countries have different requirements and that creates barriers for uniform method (Gebauer, 2003). For instance, United States Generally Accepted Accounting Policies (GAAP) stipulates financial reporting guidelines which are different from those of Indians and to some extent Nigerians. All these challenges and criticisms hinder the progress of Human Resource Accounting.

## 2. Methodology

Data were gathered from the published financial statements of 10 out of 16 banks listed on the Nigerian Stock Exchange (NSE) for the period 2007 to 2011. The independent variable is Human Resource Capital which is measured by the following:

Asset Turnover, Invested Capital Turnover and Return on Asset.

The dependent variable is Goodwill which is measured by the following:

Return on Investment, Return on Equity and Earnings per Share. The above variables are computed using the under listed formulae;

- i) **Asset Turnover (AT):** The efficiency of the management of a firm can be measured by the way and manner they utilize the assets of the firm to yield positive returns to the firm. Asset Turnover ratio is defined as

$$= \frac{\text{Sales}}{\text{Total Assets}}$$

- ii) **Invested Capital Turnover (ICT):** This ratio measures the efficiency of utilizing the invested capital in generating sales turn over. The ratio is calculated thus;

$$\frac{\text{Sales}}{\text{Long Term Liabilities} + \text{Equity}}$$

- iii) **Return on Total Assets (ROA):** Expresses a relationship between the net profit and total assets of the firm:

$$= \frac{\textit{Profit after Tax}}{\textit{Total Assets}}$$

- iv) **Return on Investments (ROI):** It captures the overall effectiveness of management in generating profit with its available assets. Firms that are efficiently managed have a relatively high return on investment, while less efficient firms have a return on investments.

$$= \frac{\textit{Profit after Taxes A}}{\textit{Net Sales}} \textit{ or } \frac{\textit{Net Sales B}}{\textit{Total Assets}}$$

- v) **Return on Equity (ROE):** It measures the return on the shareholders investments in the firm

$$= \frac{\textit{Profit after Taxes}}{\textit{Shareholders Equity}}$$

- vi) **Earnings per Share (EPS):** It expresses the relationship between profits earned by a firm and the equity stock during a period of time.

$$= \frac{\textit{Profit after Taxes}}{\textit{Number of Equity Stock Outstanding}}$$

## 2.1 Model Specification

### 2.1.1 Conceptual Model

Based on the study dimensions, a conceptual model to evaluate the HRC value was developed as shown below:

$$\text{HRC} = F(\text{AC} + \text{TDC} + \text{SC}) \tag{1}$$

$$\text{HRC V} = E (\text{Bo} + \text{AC} + \text{TDC} + \text{SC}) - (\text{CC} + \text{EC}) \tag{2}$$

Where

HRCV = Human Resource Capital Value

Bo = Autonomous Expenditure on Human Asset

AC = Acquisition Cost

TDC = Training and Development Cost

SC = Separation Cost

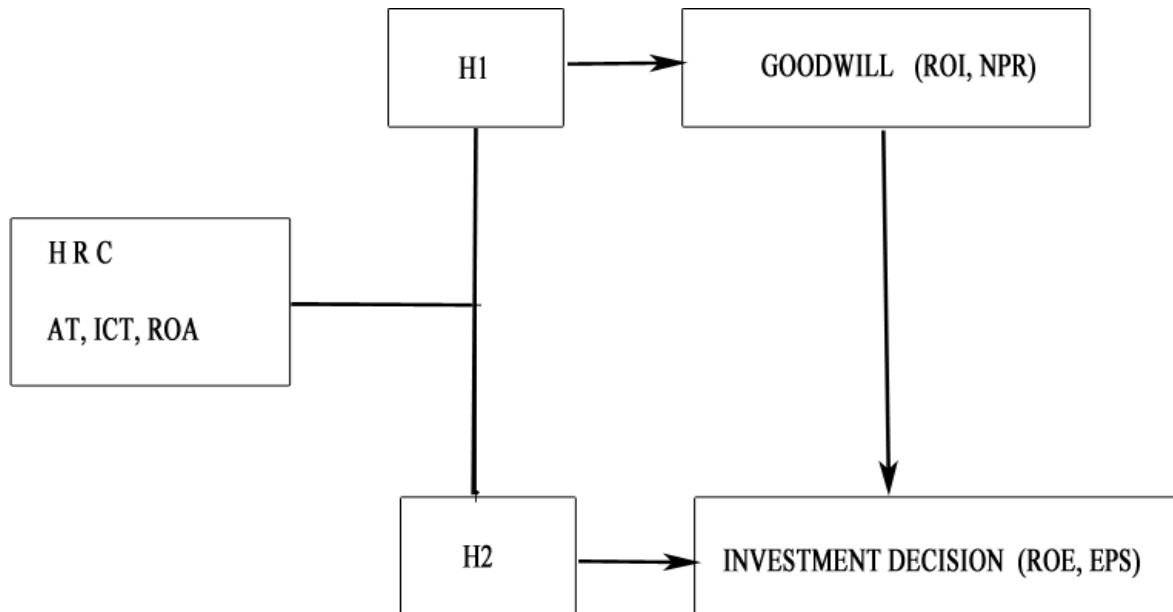
CC = Current Cost (Maintenance cost)

EC = Expired Cost of Human Asset

## 2.2 Sampling Procedure

The method of analysis for this study is the Analysis of Variance (ANOVA). It measures or test three or more independent means. The researchers used Secondary data precisely Financial

Statement of these Banks (Annual report and Accounts, 2011). The ten selected Banks are Diamond Bank Plc, Sterling Bank Plc, Stanbic IBTC Bank Plc, Zenith Bank Plc, Access Bank Plc, Unity Bank Plc, Eco Bank Plc, First Bank Plc, First City Monument Bank Plc and GT Bank Plc. The selection was based on availability of annual report and accounts in the Nigerian Stock Exchange for the year 2011. A total of sixteen commercial banks were quoted in the Nigerian Stock Exchange with a market capital capitalization of one trillion eighty and forty billion naira only (N 1,840,000,000,000), out of which ten were randomly selected.



**Figure 1.** Conceptual model on the assessment of HRC and Goodwill

Source: Researchers' Field Survey, 2012.

### 2.3 Data Presentation and Analysis

The data utilized for this study consist of Human Resource Capital (HRC), Goodwill, Investment decision, Human Resource Capital Quality and Economic Value of the firms (figure 1).

The Human Resource Capital Variables are as follows: Assets turnover ratio (ATR), Invested Capital Turnover (ICT) and Return on Asset Ratio (ROA). While the Goodwill and investment decision variables are as follows: Return on Investment (ROI), Earnings Per Share (EPS), and Return on Equity (ROE). The researchers simply calculated the percentages of these ratios and they were presented in the table below for each of the Banks under study as extracted from their annual report and accounts of year 2011. For the test of hypothesis, a statistical parametric test called ANOVA was used. The data are presented in the tables and the results together with the interpretation were presented below.

#### 2.3.1 Hypotheses Testing

Hypothesis one: Null hypothesis ( $H_0$ ): There is no significant relationship between Human Resource Capital and Goodwill in the Banking Sector in Nigeria.

Alternative hypothesis ( $H_1$ ): There is a significant relationship between Human Resource Capital and Goodwill in the Banking Sector in Nigeria.

The above hypothesis was tested using data presented in table 1.



**Table 1.** Computed percentages of Human Resource Capital Variables, Goodwill and investment decision variables of the Banks under study for the single period

	Name of Bank	ATR(%)	ICT(%)	ROA(%)	ROI(%)	EPS(%)	ROE(%)
1.	Diamond Bank Plc	9	59	12	35	3	3
2.	Sterling Bank Plc	9	78	1	10	4	2
3.	Stanbic IBTC Bank Plc	11	64	1	7	2	1
4.	Zenith Bank Plc	10	6	2	17	6	2
5.	Access Bank Plc	10	16	2	14	8	2
6.	Unity Bank Plc	12	97	7	5	7	1
7.	ECO Bank Plc	7	16	2	17	7	2
8.	First Bank Plc	17	25	4	16	8	4
9.	First City Monument Bank Plc	13	16	2	15	7	2
10.	GT Bank Plc	11	96	3	28	8	3

**Source:** Annual Report and Accounts for the various Bank for the year 2007 – 2011.

**Table 2.** Analysis on the relationship between Human Resource Capital and Goodwill in the Banking Industry in Nigeria suing ANOVA Statistical tool

	Diamond Bank	Sterling Bank	Stanbic IBTC	Zenith Bank	Access Bank	Unity Bank	ECO Bank	First Bank	First City Monument Bank	GT Bank	TOTAL
ATR (%)	9	9	11	10	10	12	7	17	13	11	
ROI(%)	35	10	7	17	14	5	17	16	15	28	
ROE(%)	3	2	1	2	2	1	2	4	2	3	
ROA(%)	12	1	1	2	2	7	2	4	2	3	
ΣX	59	22	20	31	28	25	28	41	32	45	331
X	14.75	5.5	5	7.75	7	6.25	7	10.25	8	11.25	
ΣX <sup>2</sup>	1459	186	172	397	304	219	346	577	402	923	4985
X <sup>-2</sup>	218	30.25	25	60.06	49	39.06	49	105	64	126.56	766

**Source:** Researcher’s Field Work 2012

$$\text{Grand Mean } (\bar{x}) = \frac{\sum x}{n} = \frac{331}{40} = 8.275$$

$$\text{Total Sum of Squares (TRSS)} = \sum x^2 - \frac{(\sum x)^2}{n} = 4985 - \frac{(331)^2}{40} = 2245.975$$

$$\text{Treatment Sum of Squares (TRSS)} = M[\sum x^2 - j(\frac{\sum x}{n})^2] = 10[766 - 4(8.275)^2] = 4920.975$$

$$\text{Error Sum of Squares (ESS)} = \text{TSS} - \text{TRSS} = 2245.975 - 4920.975 = - 2675$$

**Table 3.** ANOVA

Source of Variation	Sum of Squares	Degree of Freedom	Mean Square	F-Value
Treatment (Between Samples)	TRSS = 4920.975	r-1 = 4-1 = 3	4920.975÷3 = 1640	$\frac{TRMS}{EMS} = \frac{1640}{-74} = -22.16$
Error (Written Sample)	ESS = -2675	n-r = 10-4 = 6	-2675÷36 = -74	
Total	TSS = 2245.975	n-1 = 10-1 = 9		

**Source:** Researcher’s Field Work, 2012

**Note:** Significance is at 5% Level,  $V_1=4-1=3$ ,  $V_2=10-4=6$ ; i.e  $F_{0.05, 3, 6}$ . The tabulated F value is 2.84

### 3. Results

The result shows that the calculated Value of F (-22.66) falls outside the acceptance region of F tabulated value (2.84) at 5% level of significance. Therefore, the researchers rejected the null hypothesis and accepted the alternative hypothesis. Thus, there is a positive and significant relationship between Human Resource Capital and Goodwill in the banking sector in Nigeria.

Hypothesis Two: Null hypothesis ( $H_0$ ): That the inclusion of Human Resource Capital Value in the balance sheet of firms does not help investors make rational investment decisions.

Alternative Hypothesis ( $H_1$ ): That the inclusion of Human Resource Capital Value in the balance sheet of firms does help investors make more rational investment decisions.

The above hypothesis was tested using data presented in table 1.

**Table 4.** Analysis on the inclusion of Human Resource Capital Value in the balance sheet and rational investment decisions in the Banking Sector using ANOVA Statistical tool

	Diamond Bank	Sterling Bank	Stanbic IBTC	Zenith Bank	Access Bank	Unity Bank	ECO Bank	First Bank	First City Monument Bank	GT Bank	TOTAL
ICT (%)	9	9	11	10	10	12	7	17	13	11	
EPS(%)	3	4	2	6	8	7	7	7	7	8	
ROE(%)	3	2	1	2	2	1	2	4	2	3	
$\sum X$	15	15	14	18	20	20	16	28	22	22	190
X	5	5	7	6	7	7	5.3	9.3	7.33	7.33	
$\sum X^2$	99	101	126	140	168	194	102	354	222	194	1700
$X^{-2}$	25	25	49	36	49	49	28	87.1	53.78	53.78	455.66

**Source:** Researcher’s Field Work, 2012

$$\text{Grand Mean } (x) = \frac{\sum x}{n} = \frac{190}{30} = 6.33$$

$$\text{Total Sum of Squares (TSS)} = \sum x^2 - \frac{(\sum x)^2}{n} = 1700 - 1203.33 = 496.67$$

$$\text{Treatment Sum of Squares (TRSS)} = M[\sum x^{-2} - j(\frac{\sum x}{n})^2] = 10[455.66 - 3(\frac{190}{30})^2] = 3353.27$$

Error Sum of Squares (ESS) = TSS – TRSS = 496.67 – 3353.27 = - 2856.60

**Table 5. ANOVA**

Source of Variation	Sum of Squares (SS)	Degree of Freedom	Mean Square	F-Value
Treatment (Between Samples)	TRSS = 3353.27	r-1 = 3-1 = 2	3353.27÷2 = 1676.64	$\frac{TRMS}{EMS} = \frac{1676.44}{-105.8} = -15.85$
Error (Written Sample)	ESS = -2856.60	n-r = 30-3 = 27	-2856÷27 = -105.8	

**Source:** Researcher’s Field Work, 2012

**Note:** Significance is at 5% Level, Degree of freedom,  $V_1=3-1=2$ ,  $V_2=30-3=27$ ; i.e  $F_{0.05,2,27}$ . The tabulated F value is 3.35

### 3.1 Interpretation / Decision

The result shows that the calculated F value (-15.85) falls on the rejection region of F tabulated value (3.35) at 5% Level of significance. Therefore, the researchers rejected the null hypothesis and accepted the alternative hypothesis. This implies that, the inclusion of Human Resource Capital Value in the balance sheet of firms does help investors make more rational investment decisions.

## 4. Summary of Findings, Conclusion, and Recommendation

### 4.1 Summary of Findings

This research work has assessed the impact of Human Resource Capital on goodwill in the Banking Sector of Nigeria. From the analysis carried out in this study, the researchers summarized their findings as follows:

Human Resource Capital has a positive and significant relationship with goodwill in the Banking Sector of Nigeria. This implies that the quality of management and employees are key factors in investment decisions. The Human assets value is a critical success factor in investment attraction and in mergers and acquisition. Since goodwill is the excess of purchase consideration over Net worth of a business, the quality of human capital is a major factor in determining the economic value (Networth) of firm and cost of investment (investment decision).

The study reveals that the inclusion of human resource Capital Value in the balance sheet of organization does help investors make more rational investment decisions. This implies that the disclosure of human intellectual capital value is critical to investors. The human resource capital value should be made necessary element of financial reporting to help investors make more rational investment decisions. A firm with good quality and stable personnel is likely to improve on shareholders’ wealth. That investment is safer in a firm where manpower is adequately trained and highly motivated.

### 4.2 Conclusion

Based on the findings, the researchers concluded that there is a positive and significant relationship between Human Resource Capital with Goodwill in the Banking Sector of Nigeria. In the Banks, the human assets value is a critical success factor in investment attraction and in mergers and acquisition. Any bank with good quality and stable personnel is likely to improve on shareholders wealth. It was concluded that Human Resource Capital is highly significant to goodwill because investment in Banks is safer where the manpower is adequately trained and highly motivated. It was also concluded that the inclusion of human capital accounting in financial reporting is desirable to aid investors in making rational decisions. That is, the inclusion of Human Resource Capital Value in the balance sheet of Banks does help investors make more rational investment decisions. These

findings are in line with the views of experts in human capital accounting. That a well-developed system of human resource accounting could contribute significantly to internal decisions by management and external decisions by investors (Rao, 2005 and Fajana, 2002).

### 4.3 Recommendations

From the findings of this study, the researchers hereby recommend the need to address the issues of human capital development and investment at both the micro and macro levels by organizations and that Human Resource Capital Value should be included in the balance sheet of Nigerian organizations to aid investment decisions.

Companies should ensure that the qualitative pronouncements at AGMs and annual reports reflecting the importance of human capital of an enterprise should be supported with quantitative data relating to human capital value recorded in financial accounts.

Major stakeholders in the Banking Sector should encourage the inclusion of human capital accounting in the financial reporting of Nigerian quoted firms in the near future.

Regulatory bodies such as IASB, FRCN, IFRSB, NSE, SEC, etc. should put in place policies to effect the inclusion of Human Resource Capital Value in the financial reports of Nigerian Companies. And company management that defaults should be sentenced to five years imprisonment and withdrawal of operating license of the company. Also, company management should equally adopt the suggested conceptual model for evaluating the Human Resource Capital Value (HRCV) of the firm. Eg.  $HRCV = \sum(Bo + AC + TDC + SC) - (CC + EC)$ .

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