UKR Journal of Economics, Business and Management (UKRJEBM)

Frequency: Monthly Published By UKR Publisher
ISSN: XXXX-XXXX (Online)
Journal Homepage: https://ukrpublisher.com/ukrjebm/
Volume- 1 Issue- 1 (February) 2025

THE VOLUNTARY HUMAN CAPITAL DISCLOSURE AND CORPORATE GOVERNANCE OF QUOTED DEPOSIT MONEY BANKS IN NIGERIA

BY

MBATUEGWU, Christopher David, PhD., CNA[1*], ORISAKWE-LAWRENCE, Chinedum, PhD., FCA[2], Prof. Tamunonimim Anipiriworima NGEREBO-A, FCNA[3]

[1] SMART Professional Consulting Services Ltd
[1& 3] College of Public Sector Accounting,
ANAN University, Kwall, Plateau State, Nigeria

***Corresponding author:** MBATUEGWU, Christopher David, PhD[1]

Abstract

The study looks at the variables affecting human capital disclosure in the corporate reports of 14 deposit money banks in Nigeria. The logistics regression model and secondary data from the 2014–2023 annual reports were used in the study. The findings demonstrated that management ownership had a beneficial impact on the disclosure of human capital, resulting in higher levels of transparency. This is consistent with earlier research that found a favorable correlation between management ownership and human capital disclosure. According to the study's findings, management ownership is a workable corporate governance tool for better voluntary disclosures, sending a favorable signal to the market and motivating executive directors to prioritize long-term sustainability and product quality. According to the study, board financial competence positively affects human capital disclosure (HCD), indicating that comprehension of financial statements and accounting concepts can enhance board supervision and shareholder interests. It advises businesses to embrace strong procedures, promote voluntary disclosure of value-added human resource activities, and enhance human capital disclosure in corporate reports. A well-defined structure for accounting and It advises businesses to embrace strong procedures, promote voluntary disclosure of value-added human resource activities, and enhance human capital disclosure in corporate reports. Since the International Financial Reporting norm lacks a defined norm, a clear framework for accounting and financial reporting of human capital is also required.

Keywords: Human managerial ownership, institutional ownership, board independence, board financial expertise, deposit money banks

Introduction

Demand for the voluntary disclosure of additional financial and non-financial information in financial statements has grown over the last few decades. This is primarily due to the global rush of accounting and business scandals, many of which came from inadequate disclosure and some of which led to firm bankruptcies and liquidations. Capital market regulators have been emphasizing the necessity of strengthening corporate governance mechanisms to improve the efficiency, productivity, and sustainability of firms, while users of financial statements, including investment analysts, shareholders, and potential investors, have been advocating for increased disclosure of information about the firm in the financial statements.

Astute companies have resorted to voluntary disclosure as a workaround since capital market authorities and accounting regulations do not legally require the publication of certain information. One such area of voluntary disclosure is human capital. The only required human capital information to be declared in financial statements, as required by IAS 19 and IFRS 2, is the declaration of employee benefits and share options.

According to Widiatmoko, Indarti, and Pamungkas (2020), the information economy has become the foundation of the economic shift brought about by the current era of globalization. Access to knowledge-based resources is crucial for businesses to maintain their sustainability and competitiveness. As a result, there has been a significant transition from tangible resources to information and from hardware to software. According to Hay, Ragab, and Hegazy (2018), the industrial economy has given way to a knowledge-based economy as a result of globalization and recent changes in the global economy. Since they are regarded as being extremely important, many businesses across a variety of industries are dealing with a shift towards information, knowledge, skills, and technology. In the past, businesses have mostly used physical assets to assess value. However, intellectual capital—which includes the knowledge and information that often exist inside people—is increasingly viewed as a source of value due to the rise of the knowledge economy.

Similarly, Guthrie and Petty (2000) argued that many industries have become more knowledge-driven, but firms are now more focused on adding value and knowledge. This increase in knowledge can be attributed to human capital, an intangible asset that can be defined as employees' competence, knowledge, and abilities (Leitner, 2004). A different definition of human capital is "the combination of factors possessed by individuals and the collective workforce of a firm which encompasses knowledge, skills, and technical ability; personal traits such as intelligence, energy, attitude, reliability, and commitment; ability to learn, including aptitude, imagination, and creativity; desire to share information, participate in a team, and focus on the firm's goals" (Abeysekera, (2008)).

It is impossible to overstate how important it is for organizations to keep their human capital capacities high. This is predicated on the idea that an organization's most valuable resource is its people. Furthermore, because stakeholders are placing more and more pressure on companies to disclose non-financial information more fully and adequately, it is now essential for them to report on their human capital levels. The primary goal of financial statement preparation and publication is to give investors enough information to help them make informed investment decisions.

Investors have a right to know the caliber of the organization's human resources if they are thought to be a major source of competitive advantage. Oladele et al. (2018) claim that the voluntary disclosure of human resources data by businesses is a definite sign that they are now realizing and admitting that a significant asset has been missing from their financial accounts. They reaffirm that the caliber, character, and quality of an organization's workforce play a major role in its success.

Many of the studies on human capital disclosure focused on developed economies and a few on developing economies. While several studies on this subject conducted on listed firms focused on intellectual capital disclosure determinants in the developed economies, selecting the determinants from either firm characteristics or corporate governance or audit firm characteristics, the few studies on the Nigerian economy focused on intellectual capital disclosure in the Nigerian banking industry, (Haji & Mubaraq, 2012), while Anifowose, Rashid and Annuar (2017) focused on human capital determinants across all sectors of the Nigerian economy over a period of three years, from 2012 to 2015.

Research on the motivations behind voluntarily disclosed human capital information of firms in developing nations is limited, with most studies being from developed economies. This is due to the increasing competition with firms in developed countries due to globalization, lower transaction costs, and more freely available capital. Previous studies have been inconsistent, with inconsistent results on the determinants of human capital disclosure. This study fill gaps in variables by examining monitoring attributes such as board attributes and ownership composition, as previous studies focused more on firm attributes. The study provides a more comprehensive understanding of human capital disclosure in developing nations.

In the exploration of how board attributes influence human capital disclosure, various scholars have scrutinized factors such as board size, the age of board members, the financial expertise possessed by board members, the frequency of board meetings, gender representation on the board, board independence, and the diversity within the board. The findings from these investigations have yielded a range of outcomes. Ownership structure has also been examined about human capital disclosure and some researchers have investigated the effect of ownership diversity, family ownership, institutional ownership, and state ownership on human capital disclosure. Some researchers have examined a combination of the above-mentioned factors in explaining the level of disclosure of human capital items in the annual reports of companies.

In light of this context, the present study investigates the influence of board characteristics, specifically board financial expertise, alongside ownership structure factors such as managerial and institutional ownership, to provide a more nuanced understanding of the extent of human capital disclosure within financial statements.

Literature Review

Corporate Voluntary Human Capital Disclosure

The term "human capital" traverses multiple academic disciplines, including social sciences, accounting, finance, and economics. Capital is defined as assets that raise a company's long-term net worth. According to Fitz-Enz (2000), human capital is the whole of the assets that each employee, both individually and collectively, possesses inside an organization. Personal traits like wit, drive, attitude, dependability, and dedication; technical aptitude, knowledge, skills, and ability; learning capacity, including aptitude, inventiveness, and creativity; and a willingness to work together, share knowledge, and focus on the organization's goals are some examples.

Human capital, according to Brooking (1996), is the sum of the knowledge, inventiveness, leadership, and managerial abilities that an organization's workforce possesses. According to Pena (2002), human capital is the collection of traits that allow people to work, including knowledge, abilities, skills, personality, and health.

"The knowledge, skills, competencies, and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services, or ideas in market circumstances" is how Westphalen (1999) described human capital.

Thus, according to this study, human capital is defined as the people resources that increase a company's long-term net worth.

Human Capital Disclosure

Companies frequently exclude information on human capital from their annual reports, but some components—like the eleven items from IAS 19 and the share-based payments from IFRS 2—must be shown in financial statements by law. The disclosure of all other human capital data, both financial and non-financial, is voluntary. To gauge the level and caliber of human capital disclosure in corporate annual reports, researchers have created disclosure indices.

The level of human capital disclosure by modern business entities is extremely inadequate, primarily because traditional accounting rules are based on the traditional approach, and the abundance of human capital indicators may cause scientific confusion, according to Bryl and Truskolaski (2017). This is despite the fact that human capital disclosure is still a relatively uncommon phenomenon despite its great importance and effect on the strategic performance of companies. Second, there are considerable differences in reporting norms among nations regarding human capital, and the majority of research indicate that the degree of economic development in the firm's home country influences the quality and scope of disclosure.

Human capital disclosure is voluntary and not regulated by accounting standards. Researchers have developed methods to measure the extent and quality of disclosure in company annual reports. One major method is content analysis, which allows systematic comparison and classification of disclosures. However, content analysis has its drawbacks, as it is subjective and cannot be improved upon. Researchers construct a disclosure index (weighted or unweighted) and perform content analysis using the index. This method has been adopted by Li et al. (2008), Lundberg and Ahman (2015), and Bryl and Truskolaski (2017).

Researchers use a variety of techniques to gauge the degree of disclosure, including the quantity of words or sentences, a straightforward unweighted method, or a more complex scale like a Likert scale. Using a dichotomous approach and a disclosure checklist, this study assigns a score of 1 for information disclosure and 0 for nondisclosure. This method aids in evaluating the level of disclosure quality and the specificity of the disclosure items related to human capital.

Managerial ownership

When corporate managers, including staff members and executive directors, hold the majority of a company, this is referred to as managerial ownership. According to Jensen and Meckling (1976), as shareholdings rose, pursuing self-interest would result in larger losses. According to Vafeas and Theodorou (1998), executive directors should operate in the best interests of all shareholders, including themselves, as this goal would lead to realignments through ownership. According to Finkelstein (1992), ownership gives executive directors greater authority, which helps them come up with new business incentives and strategies, boost innovation, and help the company adjust to a changing environment faster. Zahra, Oviatt, and Minyard (1993) suggested that ownership allows executive directors to develop better strategies for allocating resources to diverse stakeholders, thereby enhancing a firm’s image and reputation.

Ownership provides executive directors with an incentive to focus on the long-term viability of the firm, which includes the maintenance of its intellectual capital base (Hansen & Hill, 1991; Firer & Williamson, 2005). Johnson and Greening (1999) concluded that the decisions of executive directors would focus on policies that maintain or improve product quality and innovation through increased research and development spending. Gray (1988) opined through his secrecy hypothesis that with increased ownership, executive directors’ preference for secrecy is likely to decrease as this group no longer will act as agents but as principals causing them to support the disclosure of more information to meet the needs of other principals. It is therefore reasonable to expect that greater managerial ownership in a firm is likely to result in more disclosure.

The structure of business ownership, including shares owned by corporate insiders, offers diverse incentives that impact financial reporting, according to agency theory proponents. Greater managerial ownership encourages managers to run the company in their own self-interest, which may conflict with that of shareholders (the entrenchment effect), which is detrimental to the company (Wiwattanakantang, 2001). On the other hand, it also binds managers to align with the interests of shareholders (the interest-alignment effect), which benefits the company (Ariff, 2012).

The ratio of outstanding common shares held by corporate managers to the total number of outstanding common shares of the company is used in this study to calculate managerial ownership.

Institutional ownership

Banks, credit unions, insurance companies, pensions, hedge funds, REITs, investment advisors, endowments, and mutual funds are examples of institutional investors that own a majority stake in a company. These investors pool their money to buy securities, real estate, and other investment assets.

Institutional ownership is defined as shares held by other institutions or organizations, including banks, insurance firms, investment companies, and other organized owners (Mbatuegwu, Musa, Ugoh, & Komolafe, 2021). They claimed that institutional ownership guarantees the best possible supervision and is crucial in monitoring management. Additionally, they believed that institutional investors have the means, chance, and capacity to keep an eye on management, something that smaller, less involved, or less knowledgeable investors find challenging. They emphasized that institutional investors' oversight can be a crucial governance tool that significantly reduces agency conflicts between managers and shareholders.

Similarly, Paputungan, Subroto, and Ghofar (2019) described institutional ownership as the number of stocks in a company held by institutional investors like banks, insurance companies, and pension funds. They opined that typically, institutional investors buy or sell their stocks in line with the Wall Street rule. However, institutional investors who hold large amounts of stock bravely speak up when they disagree instead of following the Wall Street rule (Paputungan, Subroto, & Ghofar, 2019). Institutional investors who have large stocks take up managerial roles in the company and can escalate their monitoring activities towards creditors and management, which helps to reduce agency problems (Chaganti & Damanpour, 1991; Tsai & Gu, 2007; Tahir, Saleem &Arshad, 2015). Institutional investors can therefore use their power to influence the company's strategic goals and management decisions, including the policy on intellectual and human capital disclosure. The majority of institutional owners can become the oversight and governance backbone of the company, monitoring the effectiveness and efficiency of management performance.

Furthermore, institutional owners usually tend to demand more information than individual owners because they are usually able to pay more for the information obtained and they are better informed about corporate governance than other investors. According to Mukti and Nusantara (2018), institutional investors are smart and able to process information better than other investors. Institutional investors will press for the disclosure of more intellectual capital information than other investors because they can pay for more information. According to agency theory, a low level of institutional ownership in the ownership structure of a company will reduce the level of disclosure of intellectual capital because managers have no incentive to reveal more to convince stakeholders about the company's performance. According to agency theory, institutional ownership can serve as an effective control element of the firm. Institutional investors require better information disclosure to reduce interest conflicts between majority and minority shareholders (Sialla & Moalla, 2017).

Mukti and Nusantara (2018) took into account whether the sample companies were owned by institutional investors, such as banks, insurance companies, pension fund administrators, etc. when calculating institutional ownership. The percentage of the company's shares held by institutional investors as a percentage of all outstanding shares is how this study calculates institutional ownership (Mbatuegwu, Musa, Ugoh, & Komolafe, 2021).

Board independence.

It is believed that the attributes of the board of directors of a company could affect human capital disclosure. A board of directors is an elected group of individuals that represents shareholders. While every public company must have a board of directors, some private and non-profit organizations also have boards of directors. The board of directors is the highest body in the firm, and it formulates strategies while ensuring the transparency of the firm through effective monitoring and control (Rahman, 2017).

Following the collapse of Maxwell Publishing Group, BCCI, and Ploy Peck in the United Kingdom and other mega-corporate failures like Enron, WorldCom, and HIH Insurance in the 2000s, it was alleged that boards' inability to monitor management in these companies was due to insufficient monitoring stemming from the consolidation of power by management and its general hold over board members (Rashid, 2018).

Board independence was given legal definition and direction in 2002 in the Sarbanes-Oxley legislation and refers to outside directors sitting on corporate boards to make corporate boards independent and accountable. Stock exchanges also have their own rules governing the behavior of their listed companies. Board independence is said to occur when a board member has not been and is not currently employed by the company or its auditor, and the board member's employer does not do a significant amount of business with the company. Board independence is a relatively new concept in corporate governance that calls for a majority of board members to be independent from the company. According to Pichet (2017), the benchmark corporate governance code in France defines an independent director as one who does not entertain any relationship whatsoever with a company, its group, or management that might compromise their freedom to exercise their judgment. Thus, an independent director does not only mean a non-executive director, i.e., one who does not exercise any management functions in the company or group but also someone who does not have any direct interest (significant shareholdings, employee status, etc.) in these entities. The Green Paper on the EU Corporate Governance Framework (EC, 2011a) asserted that non-executive board members with diverse views, skills, and professional experience would be of more benefit to boards and included independence as one of the criteria for their selection. Othman, Rashid, and Husiu (2018) opined that most researchers believe that board independence from management is the most effective tool in monitoring and controlling the organization's activities because board independence enhances the quality of monitoring and reduces the chances of information asymmetry. It is therefore expected that the more independent a board is, the higher the level of human capital disclosure to reduce information asymmetry, according to agency theory.

Fama and Jensen (1983) stated that the capability of the board to decrease agency costs is enhanced by the appointment of independent outside directors. Beasley (1996), Chen and Jaggi (2000), and Arcay and Vazquez (2005) observed that intellectual capital disclosure is significantly associated with independent directors. In this study, board independence is measured by the proportion of independent members on the board of directors. This is consistent with studies by Mubaraq and Haji (2014) and Othman, Rashid, and Husiu (2018).

Board financial expertise

In recent years, there has been a growing interest in the topic of board financial competence. Guner, Malmeinder, and Tate (2006) state that authorities have emphasized the need for additional financial specialists on boards as a result of the current wave of accounting scandals. In 2009, the US Securities and Exchange Commission revised its regulations to enhance the experience and qualifications of directors. Since the 2008 financial crisis, the majority of research has focused on board quality rather than board independence, which is now strictly monitored.

Board financial expertise has to do with the level of financial education and experience of board members. Sarbanes-Oxley targets independent accounting experts, as it is believed that an understanding of generally accepted accounting principles and financial statements will lead to better board oversight and serve the interests of shareholders. The Act, however, enacts a very broad definition of financial expertise, and as such, bankers are the most prevalent type of financial expert on boards. The number of bankers or financial professionals on the board is a good indicator of the board's level of financial expertise. The number of board members with a bachelor's degree, postgraduate degree, or professional qualification in finance-related courses has been used in certain studies to gauge the level of financial education on the board. Although research on the impact of board financial competence on company performance has yielded a variety of findings, Arumona et al. (2019) came to the conclusion that board financial education significantly improves firm performance. According to research by Guner, Malmeinder, and Tate (2016), financial specialists on boards have a big say in business choices, particularly when it comes to luring outside capital, though not always for the benefit of shareholders.

The impact of board independence and financial competence on human capital disclosure is investigated in this study. The number of board members with a degree-equivalent professional qualification in accounting or finance is a measure of the board's financial expertise.

Empirical Review

Tejedo-Romero et al. (2021) examined the scope and content of Spanish enterprises' disclosures about their human capital. The study examined several variables about the makeup and operations of the board of directors as well as the moderating influence of management ownership, all of which assisted in forecasting managers' actions about the disclosure of human capital. 210 business reports from 2007 to 2016 were subjected to content analysis, and the models were tested using linear regression. The results showed that companies are openly exchanging human capital information and adapting to new rules, a trend that shows their commitment to acting morally toward stakeholders and employees. Additionally, the results demonstrated that management ownership acts as a mediator to help managers and stakeholders align their interests, and that the composition and operation of boards serve as instruments of oversight, control, and legitimacy that encourage the disclosure of human capital. Since the current study is conducted in Nigeria, the variations in the operational settings present a challenge to the external validity of the prior study, which was conducted in Spain.

Bello and Micah (2021) looked at how corporate governance affected the accounting disclosure of human resources in the corporate reports of listed companies in Nigeria's financial sector. Secondary data from the annual reports of the sample banks and insurance providers were used in the study. 33 financial sector businesses were included in the sample, which was chosen using a convenience or judgmental selection method. Human resource investment expenditure, which includes salary and pay, training and development, and other employee-related costs, was used to measure HCD. Panel regression and a longitudinal study design were used. The study found a strong and favorable relationship between human capital disclosure and board independence and institutional ownership. The present study employs a human resource disclosure index, whereas the previous study utilized human resource investment expenditure to quantify human capital disclosure.

Raimo, Ricciardelli, Rubino, and Vitolla (2020) conducted an analysis of the degree of human capital information present in integrated reports and determined the factors influencing the disclosure practices of corporations about human capital. They looked into the integrated reports using text analysis and a Human Capital Disclosure Index to determine the amount of disclosure. Regression analysis was used to test the assumptions on a sample of 137 global organizations. The research revealed that the amount of human capital information that businesses provided in their integrated reports was positively and significantly impacted by board size, board independence, and board diversity. While the present study focuses on Nigeria, the prior study covered 137 firms globally, giving it a larger geographical scope. As a result of the variations in the working settings of various global corporations and the Nigerian context, external validity issues also occur as in the prior case.

Onipede (2020) examined how certain aspects of corporate governance, such as board composition and management ownership, affected the accounting of human capital in Nigerian listed companies. 89 enterprises with updated financial statements as of December 31, 2017, from the beer, bottling, agricultural, beverage, conglomerate, hardware, construction, printing, and oil and gas industries made up the sample size, which was taken from a population olf 114 non-financial companies. The study's six-year timeframe was from 2012 to 2017. Using panel data and pooled Ordinary Least Squares regression, the study discovered that management ownership has a substantial and positive association whereas board composition has a significant and negative link with human capital disclosure. Although the non-financial firms were addressed in the prior study, deposit money banks, which are a subset of the financial services industry, are the subject of the current research. The latest study spans ten years, whereas the prior study spanned six years.

A study on the impact of ownership concentration, ownership insiders, and family ownership on disclosure of human resources was conducted by Hamida and Sari (2020). All listed companies on the Indonesian Stock Exchange, with the exception of financial institutions, made up the research population. Companies that satisfied the predetermined criteria, such as having access to annual reports from 2014 to 2017, were chosen using the purposive selection approach. 1648 observations were used to sample 412 firms. The human resources disclosure index (HRDI) was used to gauge human resource disclosure. Multiple linear regression analysis was used in the study to ascertain the correlation between each independent variable and the dependent variable. The findings showed that ownership insiders, like CEOs or managers, and family ownership had a major and detrimental impact on HR disclosure. Since the present study was conducted in Nigeria, the question of external validity stemming from variations in operational contexts is raised, since the prior study was conducted in Indonesia. The present study spans a period of 10 years, whereas the prior study spanned five years, from 2014 to 2017. This difference in the period covered makes the current study more robust.

Theoretical Framework

Stakeholder theory

In 1984, Richard Edward Freeman introduced the stakeholder theory as a framework to help managers deal with the extraordinary amounts of environmental change and volatility that the traditional strategy frameworks could not handle. The idea of the organization as a mere resource converter was out of date, according to Freeman (1984). Rather, he stated, in addition to the interests of investors, the interests of all stakeholders—defined as any group or individual that is affected by or has the ability to influence the achievement of the organization's goals—should be taken into account. A stakeholder strategy, in his opinion, would assist managers in managing and integrating the connections and interests of communities, suppliers, customers, shareholders, employees, and other groups in a way that guarantees the long-term success of the firm and also addresses the three interconnected problems relating to business, which include the problems of value creation and trade, the ethics of capitalism, and the managerial mindset.

The stakeholder theory, according to Ademola (2014), contends that the business will be better able to accomplish its goals and increase the investment of the shareholders if the happiness of all stakeholders, not just those with a financial stake, is taken into account. This necessitates incorporating the concerns of all stakeholders into the company's assessment. In order to do this, managers must conduct a stakeholder inquiry, which is a process for identifying and evaluating the influence of stakeholders in an organization. Anybody with an interest in or influence over the activities of the company is considered a stakeholder, including clients and suppliers as well as internal stakeholders like employees.

Ojokuku and Oladejo (2017) anchored their study on the stakeholder theory, which suggests that all stakeholders have a right to be provided with information on how organizational activities impact them, even if they choose not to use it. In addition, many companies, to reduce the level of analyst and market speculation, voluntarily disclose information about their strategies, management objectives, and key success factors as a supplement to their financial reports. Isnalita and Romadhon (2018) also anchored their study on the stakeholder theory, which provides a view that disclosure is a mechanism for maintaining a good relationship between the company and its stakeholders.

Agency theory

In 1973, Stephen Ross and Barry Mitnick presented the agency theory; Jensen and Meckling expanded on it in 1976. The agency theory has become the mainstay of management theorists. The contemporary corporation's separation of ownership and management gives rise to conflicts of interest between principals, or owners, and agents, or managers, which sets the stage for the operation of the agency theory. In contemporary businesses, the managers (agents) are employed to oversee the corporation on behalf of the widely distributed owners (principals), who are often not involved in day-to-day operations and administration (Habbash, 2010). To solve this problem or to align the conflicting interests of managers and owners, the company incurs controlling costs, including incentives given to managers, the appointment of boards of directors, and choosing appropriate board composition in terms of size, gender, experience, and competence (Tandelilin et al., 2007); the appointment of audit committees and auditors. Voluntary disclosure also serves as a monitoring instrument that principals use to cost-efficiently examine the activities of agents to ensure that their residual claims are not weakened (Jensen & Meckling, 1976).

Fama and Jensen (1983) argued that to minimize the agency problem that emanates from the separation of ownership and control, corporations need to have mechanisms that enable them to separate the authority of decision management from decision control. This would reduce agency costs and ensure the maximization of shareholders' wealth by effectively controlling the power and self-centered decisions of management. Agency theory provides a basis for the governance of firms through various internal and external mechanisms. Corporate governance mechanisms are designed to align the interests of owners and managers, constrain the opportunistic behavior of managers, and protect shareholders' interests, generally to solve the agency problem (Habbash, 2010).

The agency theory is of great relevance to this study because it explains the need for voluntary disclosure of vital information by the agents acting on behalf of the principals, and this includes the voluntary disclosure of information on various aspects of human capital in the annual report. The agency theory is also relevant to this study because the board of directors is a mechanism of corporate governance that seeks to mitigate agency problems and protect the interests of principals in the principal-agent relationship. The board attributes being considered in this study include board financial expertise and board independence.

Methodology

The ex post facto research design was used in the study. The 14 commercial banks that were listed as at January 1, 2022, on the Nigerian Stock Exchange comprise the study's population. The study's sample size consists of all the 14 banks because the population is limited. Since every bank possessed the necessary data for the study period, the census sampling approach was used for this investigation. Secondary data from commercial banks' annual reports covering the ten years from 2013 to 2022 was used in the study. With the use of STATA version 16, the study used the logistics regression methodology as its analytical method. This statistical technique was chosen because the dependent variable is measured in binary form. The individual models are presented below in line with Oraka et al., (2018) with slight modifications to meet the particular purpose of the study.

HCD (MO, IO, BI, BFE) ……………………………………(1)

This equation can be rewritten statistically as:

$HCD_{it} = bo + \beta_1 MO_{it} + \beta_2 IO_{it} + \beta_3 BFE_{it} + \beta_4 BIit + \mathcal{E}_{it}$…....... (2)

Where:

HCD= Human Capital Disclosure, MO= Managerial Ownership, IO= Institutional Ownership, BI= Board Independence, BFE= Board Financial Expertise, b0 = intercept (constant), i= cross-sectional time, t=time series, ε = Error term

Table 1 Variables Measurements

S/N	Variables	Definitions	Type	Measurement	Construct validity source
1	**HCD**	**Human Capital Disclosure**	**Dependent**	A disclosure checklist index is applied using a two-point scale 0-1, 0 (represents nondisclosure and 1 represents disclosure).	Li et al. (2008), Lundberg and Ahman (2015), Bryl and Truskolaski (2017).
2	MO	Managerial Ownership	Independent	measured as the total amount of management-owned shares divided by the firm's total	Mbatuegwu 2021,

				outstanding shares.	
3	IO	Institutional Ownership	Independent	Institutional Shareholding is the ratio of equity shares of the firm held by institutional investors to the total shares outstanding.	Mbatuegwu, Musa, Ugoh, and Komolafe (2021)
3	BI	Board independence	,,	measured by the proportion of independent non-executive directors on the board to the total board size	Alvas (2014); Hassan and Bello (2013); Akeju and Babatunde (2017).
4	BFE	Board Financial Expertise	,,	Measured as the proportion of directors with financial expertise to the total board size.	Shuaibu (2018); Ghazaleh and Garkaz (2015).

Source: Researcher's compilation (2024).

Results and Discussion

In this section, the data collected from the various financial statements is presented and analyzed. The descriptive statistics, correlation matrix, and regression results are presented.

Descriptive Statistics

This sub-section of the study contains a description of the properties of the variables, ranging from the mean of each variable to the minimum, maximum, and standard deviation. The summary of the descriptive statistics for the variables is presented in Table 2.

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std Dev	Min	Max
HCD	140	0.5077	0.1748	0	1
MO	140	0.0438	0.0410	0	0.3979
IO	140	0.1635	0.1413	0.0125	0.6828
BIND	140	0.3437	0.1536	0	0.6945
BFE	140	0.2006	0.0944	0	0.4857

Source: Researcher's compilation (2024)

Table 2 displays the descriptive data, and as can be seen, the mean for human capital disclosure (HCD) was 0.5077. This suggests that in their annual financial statements, around 50.77% of the banks disclosed information regarding their human capital. Even though all of the companies are in the banking sector, the standard deviation of 0.1748 is quite distant from the mean, indicating that human capital disclosure differs significantly among banks.

Table 2 also shows that the average managerial ownership of the sampled commercial banks during the period of the study was 0.0438, with a standard deviation of 0.0410. This implies that an average of 5% of the ownership structure of banks in Nigeria consists of top-level managers who are also shareholders of the banks. This assertion is confirmed by the standard deviation, which suggests that the data is distributed around the mean. The minimum and maximum values are 0001597 and 0.3979527, respectively. The maximum figure implies that 39% of the banks have top-level managers who are also shareholders.

The descriptive statistics in Table 2 show a mean value of 0.1635 and a corresponding standard deviation of 0.0732 for institutional ownership. This means that, on average, 16% of banks during the period of the study had institutional investors in their ownership composition. However, the value of the standard deviation, which is far from the mean, shows that there are a lot of differences in the level of institutional ownership among the banks. The values of institutional ownership for minimum and maximum are 0.0125478 and 0.6828597, respectively. This means that the highest percentage of institutional owners is 68%.

Board independence has a mean value of 0.3437, which indicates that on average, about 34% of board members are independent, with a standard deviation of 0.1536. This ratio is commendable and, if properly engaged, can improve board objectivity, reduce agency costs, and improve board and corporate reputation.

Finally, the mean for board financial expertise (BFE) stood at 0.2006, with maximum and minimum values of 0.4857 and 0 respectively. The mean is still quite low and suggests that, on average, financial expertise representation at corporate boards in the banking industry still needs to be improved.

Correlation Matrix

The Pearson correlation analysis matrix displays the relationship between explanatory and explained variables and each pair of independent variables. It helps determine the degree of link among all independent variables to avoid misleading findings. Although not suitable for statistical inference, it is relevant in determining the direction and extent of association between variables. The result of this study is presented:

Table 3: Correlation Matrix

Variables	HCD	MO	IO	BIND	BFE
HCD	1.0000				
MO	0.1845	1.0000			
IO	0.2578	-0.0500	1.0000		
BIND	0.1492	-0.1490	-.2007	1.0000	
BFE	0.1933	-0.1759	-0.3601	0.4328	1.0000

Source: Researcher’s compilation (2024)

Table 3 reveals a positive association with coefficients of 0.1845, 0.2578, 0.1492, and 0.1933, respectively, between the independent variables, managerial ownership, institutional ownership, board independence, and board financial expertise; and the dependent variable human capital disclosure. This suggests that the direction of movement for the four independent variables matches that of the disclosure of human capital. According to the findings, there may be a correlation between rising significant factors and rising disclosure of human capital and vice versa.

Table 4: Logistics Regression Result

HCD	Coefficient	Z	p-value
MO	0.0270	.3.31	0.001
IO	0.1621	7.56	0.000
BIND	0.0221	-2.87	0.004
BFE	3.1500	10.25	0.000
Pseudo R^2	0.5966		

LR Chi^2	903.82
Prob > F	0.0000

Source: output from STATA, 2024.

The logistics regression result in Table 4 indicates that the aggregate influence of the independent variables included in the model are able to explain human capital disclosure up to about 59% as indicated by the Pseudo R^2 while the remaining 41% is attributed to other factors that are not included in the model. The F-Statistics value of 903.82, which is significant at 5%, shows that the model is fit and therefore provides substantial evidence that corporate attributes have a significant impact on human capital disclosure of deposit money banks in Nigeria.

The regression results as presented in Table 4 signify that managerial ownership has a coefficient of .0270381 and a p-value of 0.001 which is significant at 5%. This means that managerial ownership has a significant positive effect on human capital disclosure of quoted deposit money banks in Nigeria. The 5% significance level reveals that managerial ownership has a strong statistical influence on human capital disclosure. Based on this, the study rejects the null hypothesis which states that managerial ownership has no significant effect on human capital disclosure in Nigeria.

This study also determined the effect of institutional ownership as one of the ownership attributes on human capital disclosure of quoted deposit money banks in Nigeria. The result emanating from table 4 indicates that institutional ownership has a statistically positive and significant effect on human capital disclosure in the area covered by the study. This claim is substantiated by the value of the coefficient and the p-value which stand at .0162192 and 0.000 respectively. This indicates a strong likelihood that institutional owners can be used to determine the level of human capital disclosure of quoted deposit money banks in Nigeria.

The regression result in Table 4 shows that board independence has a significant effect on the human capital disclosure of deposit money banks in Nigeria. This claim is substantiated by the p-value which is 0.004 and significant at 5% level of confidence. Hence, the study rejects the hypothesis which states that board independence has no significant effect on human capital disclosure of deposit money banks in Nigeria.

The study also looked at the extent to which board financial expertise can influence the level of human capital disclosure of deposit money banks in Nigeria. The output in Table 4 shows that a positive and significant relationship exists between board financial expertise and human capital disclosure of deposit money banks in Nigeria. This is evidenced by the value of coefficient and probability which stands at 3.1500 and 0.000 respectively. This shows that the higher the level of financial expertise among the board of directors of a deposit money bank in Nigeria, the higher the level of human capital disclosure in its annual report. The study therefore rejects the hypothesis which states that board financial expertise has no significant effect on human capital disclosure of deposit money banks in Nigeria.

Results and Discussion

Research on the recognition and disclosure of human capital information in the annual report of corporations is one of the most contentious areas of corporate reporting. It has come a long way and continues to evolve. This study investigated the variables influencing the disclosure of human capital information in corporate reports of Nigerian deposit money banks.

The findings from the logistics regression reveal that managerial ownership has a positive and significant effect on the level of human capital disclosure of quoted deposit money banks in Nigeria. The implication is that an increase in managerial ownership will bring about a higher level of human capital disclosure. This finding is in line with previous studies by Rouf and Harun (2011) and Vu (2012), which found a significant and positive relationship between managerial ownership and human capital disclosure. However, the finding is in contrast to Elmans (2012), which established that there was no significant association between managerial ownership and human capital disclosure. The study suggests that managerial ownership is a beneficial corporate governance mechanism for improved voluntary disclosure such as human capital disclosure, which can boost market value and motivate executive directors to prioritize the firm's long-term viability, including maintaining its intellectual capital. This encourages policies that enhance product quality and innovation through increased research and development spending.

The regression results further reveal that institutional ownership is significantly and positively related to human capital disclosure. This finding implies that an increase in the level of institutional ownership, with other independent variables remaining constant, increases the level of human capital disclosure of deposit money banks in Nigeria. This finding is in tandem with the findings of Mbatuegwu and Ahmed (2020), Al-Akra et al. (2010), and Haniffa and Cooke (2002), which found a significant and positive relationship between institutional ownership and human capital disclosure.

The study suggests that institutional shareholders are crucial in increasing human capital disclosure in financial statements due to their higher demand for such information and better understanding of corporate governance compared to individual investors. Institutional shareholders are willing to pay more for this information and are more informed about corporate governance.

The findings of the logistics regression reveal that board independence is positively and significantly related to the level of human capital disclosure. This finding is in line with the findings of Muttakin, Khan, and Belal (2015), Zhang (2012), and Iqbal and Zaib (2017). The finding is at variance with Taliyang and Jusop (2011). The study suggests that having more independent directors, particularly non-executive directors, can help balance the interests of managers with those of shareholders by enabling the board to better monitor executive management and improve disclosure levels.

Additionally, the logistics regression's results show that board financial competence significantly improves HCD. Accordingly, the study comes to the conclusion that directors with some degree of financial expertise should be preferred because it is thought that their knowledge of financial statements and generally accepted accounting principles will improve board oversight and benefit shareholders.

According to the survey, businesses should increase the amount of information they provide about their human resources in their corporate reports. More reliable methods for evaluating the value of human capital as an asset rather than merely an expense must also be implemented by businesses. By promoting the voluntary disclosure of value-added human resource operations, corporate governance should place a high priority on human capital disclosure. To acknowledge human capital investment, a suitable accounting and financial reporting framework is required. There is currently no clear reporting framework or standard in place, despite the fact that the International Financial Reporting Standards (IFRS) recognize the disclosure of intangible assets, such as human capital, in company reports. The research is still ongoing, and this is still a work in progress.

References

Abeysekera, I. (2008): Motivations behind human capital disclosure in annual reports. *Accounting Forum 32*, 16-29

Al-Akra, M., Eddie, I.A., & Ali, M.J. (2010). The influence of the introduction of accounting disclosure regulation on mandatory disclosure compliance: Evidence from Jordan. *The British Accounting Review, 42*(3), 170-186

Anifowose, M., Rashid, H., & Annuar H. (2017). Determinants of Human Capital Disclosure in the Post IFRS Regime: An Examination of Listed Firms in Nigeria. *Malaysian Accounting Review,16*(2)

Ariff, A.M. (2012). Managerial Ownership and disclosure of intangibles in East Asia. *Doi:10.7763/IPEDR.2012. V55.44*

Arumona, J., Erin, O., Onmonya L., & Omotayo V. (2019). Board Financial Education and Firm Performance: Evidence from the Healthcare Sector in Nigeria. *Academy of Strategic Management Journal, 18*(4), 1-14

Bello, B.M & Micah, L.C (2021). Corporate Governance and Human Resource Accounting Disclosure in listed financial firms in Nigeria. *International Journal of Business & Law Research 9*(1), 174-184.

Brooking, A. (1996). *Intellectual Capital: Core Assets for the Third Millennium Enterprise*. Thomson Business Press, London, United Kingdom, 1996.

Bryl, T., & Truskolaski, S. (2017). Human Capital Reporting and its Determinants by Polish and German Publicly Listed Companies. *Entrepreneurial Business and Economics Review, 5*(2), 195-210

Fama, E.F., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), 301–325.

Guner, A., Malmeinder, U., & Tate, G. (2006). *Financial Expertise of Directors*. Working Paper 11914, National Bureau of Economic Research

Finkelstein, S. (1992). Power in top management teams: Dimensions, measurement, and validation. *Academy of Management Journal, 35*(3), 505–538

Fitz-enz, J. (2000). *The ROI of human capital: measuring the economic value of employee performance.* AMACOM, New York

Firer, S., & Williamson, S. (2005). Firm ownership structure and intellectual capital disclosures. *South African Journal of Accounting Research, 9* (1), 1-18.

Gray, S.J. (1988). Towards a theory of cultural influence on the development of Accounting systems internationally. *Journal of Accounting, Finance and Business Studies 24*(1), 1-15

Guner, A., Malmeinder, U., & Tate, G. (2006). *Financial Expertise of Directors*. Working Paper 11914, National Bureau of Economic Research

Habbash, M., (2010). Corporate Governance and Corporate Social Responsibility Disclosure: Evidence from Saudi Arabia. *Social Responsibility Journal*, *12*(4), 740–754.

Haji, A.A., & Mubaraq, S. (20120. The trends of intellectual capital disclosures: evidence from the Nigerian banking sector. *Journal of Human Resource Costing & Accounting, 16*(3), DOI: 10.1108/14013381211286360

Hansen, G.S., & Hill, C.W.L. (1991). Are institutional investors myopic? A time-series study of four technology-driven industries. *Strategic Management Journal, 12*(1), 75-83

Hay, D., Ragab, N.S., & Hegazy, W. (2018). The Determinants of Human Capital Voluntary Disclosure in the Lebanese Commercial Banks. *Academy of Accounting and Financial Studies Journal, 22* (6), 1-18

Haniffa, R. & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus, 38*(3), 317-349.

Johnson, R.A., & Greening, D.W. (1999). The effect of corporate governance and institutional ownership types on corporate social performance. *Academy of Management Journal, 42(*5), 564-576

Leitner, K. (2004). Intellectual capital reporting for universities: conceptual background and application for Austrian universities. *Research Evaluation, 13*(2), 129-140

Lundberg, F., & Ahman, E. (2015). *The effect of firm characteristics on disclosures: A Swedish context.* Master's Thesis submitted to the Department of Business Studies, Upsala University.

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., Meckling, W.H. (1976). The theory of firm: Managerial behaviour, agency costs and ownership structure. *Journal of Finance Economics 3*, 305-360

Mbatuegwu, C.D., Musa, A.M., Ugoh, T.T., & Komolafe, E.T. (2021). Effect of COVID-19 on institutional shareholding, independent director and audit committee on audit reports of listed oil and gas companies in Nigeria. *International Journal of Economics, Commerce and Management 9*(1), 20-38

Mbatuegwu, C.D., and Musa, A.M. (2020). Effect of on institutional shareholding, independent director, and audit committee on audit reports of listed oil and gas companies in Nigeria.

Mukti, A.H., & Nusantara, I. (2018). The Impact of Ownership Structure on Intellectual Capital Disclosure. *International Business Management 12*(3), 337-345

Muttakin, M.B., Khan, A., & Belal, A.R. (2015). Intellectual Capital Disclosures and Corporate Governance: An Empirical Examination. *Advances in Accounting*. DOI:1016/j.adiac.2015.09.002

Ojokuku, M.R., & Oladejo, K. S. (2017). Firms' Characteristics and Human Resource Accounting Disclosure in Nigerian Quoted Manufacturing Companies. *International Journal of Finance and Management in Practice, 5*(1), 10-22

Oladele, P., Aribaba, F., Lateef, A., & Ajayi, O. (2018): An Empirical Study of Human Resource Accounting Disclosure on Financial Performance of Selected Listed Firms in Nigeria. *Journal of Accounting and Management. 8*(2),70-82

Onipede,R.O. (2020). Corporate Governance and disclosure of Human Capital Accounting in quoted firms in Nigeria. *IAR Journal of Business Management 1*(2), 58-65

Oraka, H. A., Francis, C. E., & Ardi, G., (2018). Corporate Board Diversity and Sustainability Reporting: A Study of Selected Listed Manufacturing Firms in Nigeria. *Indonesian Journal of Sustainability Accounting and Management*, 2(1), 65-78.

Othman, N., Rashid, A., & Husiu, N. (2018). Exploring the effects of Board Characteristics on Innovation Capital Disclosure: Evidence from Malaysia. *World Journal of Research and Review, 6*(5) 37-45

Zahra, S. A., Oviatt, B.M., & Minyard, K. (1993). Effects of Corporate Ownership and Board Structure on Corporate Social Responsibility and Financial Performance. *Academy of Management Proceedings*, 336–340.

Paputungan R., Subroto B., & Ghofar A. (2020). Does institutional ownership moderate the effect of intellectual capital and company value? *International Journal of Research in Business & Social Science 9*(1*)*, 127-136

Pichet, E. (2017). Defining and selecting independent directors. *Journal of Governance and Regulation*, *6*(3), 37-45

Petty, R. and Guthrie, J (2000): Intellectual capital literature review: Measurement, reporting and management. *Journal of Intellectual Capital. 1*, 155-176

Pena, I. (2002). Intellectual capital and business start-up success. *Journal of Intellectual Capital, 2*, 180-98.

Raimo, N., Ricciardelli, A., Rubino, M., & Vitolla, F. (2020). Factors Affecting Human Capital disclosure in an Integrated Reporting Perspective. Measuring Business Excellence, 24 (4), 575-592

Rashid, A.2018: Board Independence and Firm Performance: Evidence from Bangladesh. *Future Business Journal 4,* 34-49

Sialla, H.G., & Moalla, M. (2017). The effect of ownership structure on voluntary disclosure of intellectual capital information: The case of Canadian firms. *International Journal of Development Research, 7* (1), 11044-11054

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

Tejedo-Romero, F., Ferraz, J.F., & Araujo, E. (2021). The Influence of Corporate Governance Characteristics on Human Capital Disclosure: The Moderating Role of Managerial Ownership. *Journal of Intellectual capital. ISSN: 1469-1930*

Vafeas, N., & Theodorou, E. (1998) The Relationship between Board Structure and Firm Performance in the UK. *The British Accounting Review, 30*, 383-407.

Westphalen, S. (1999). *Reporting on Human Capital; Objectives and Trends*. International Symposium. Measuring and Reporting Intellectual Capital: Experience, Issues and Prospects. Amsterdam Technical meeting 9-10 June 1999

Widiatmoko, J., Indarti, M.K. and Pamungkas, I.D. (2020): Corporate Governance on Intellectual Capital Disclosure and Market Capitalization. *Cogent Business & Management*, *7*(1), 1750332.

Zhang, M. (2012). *Board structure, ownership concentration and intellectual capital.* Victoria University of Wellington. Doctor of Philosophy Thesis