



HUMAN RESOURCE ACCOUNTING AND QUALITY OF EARNINGS IN LISTED OIL AND GAS COMPANIES IN NIGERIA

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Abstract: Earnings quality indicates an organization's capacity to produce sustainable and predictable future earnings based on its reported net income or profit. Evaluating earnings quality necessitates a comprehensive examination of a company's financial documents and tax records, typically conducted by financial analysts or consulting firms. The preparation and presentation of performance reports are crucial, as they significantly affect stakeholder perceptions. Hence, the quality of earnings and the way it is reported play a vital role in shaping the public image of the entity. This research explores the relationship between human resource accounting and earnings quality within the oil and gas sector listed in Nigeria, focusing on variables such as operating cycle, sales volatility, performance, and liquidity. Using both survey and ex-post facto designs. The study encompasses a sample of 9 oil and gas firms from a population of 12 over a 15-year span (2008–2023). The research involved collecting data from 200 observations from these companies, which were analyzed using valid diagnostic tests, pooled OLS, and multiple regression analysis to investigate the relationships between variables. The main findings reveal that human resource accounting has a significant effect on earnings quality in Nigeria's listed oil and gas sector, as indicated by $F(4,133) = 69.43$, $p\text{-value} = 0.000$, adjusted $R^2 = 0.515$, and $R^2 = 0.546$, resulting in the rejection of the null hypotheses (H_0). Consequently, the study concludes that human resource accounting positively influences earnings quality in these firms. Recommendations include urging regulatory bodies to create incentives for adherence to earnings quality standards, enhance transparency in disclosures, and penalize companies that withhold essential information. Additionally, firms should refrain from manipulating earnings to disguise inefficiencies, as this behavior adversely affects earnings quality.

Keywords: Earnings Quality, Financial Reporting, Human Resource Accounting, Oil and Gas Sector, Regulatory Compliance.

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1 Introduction

Earnings quality serves as an indicator of a company's ability to produce reliable and consistent future earnings based on reported profits. An assessment of earnings quality typically involves reviewing a company's financial statements, which is often carried out by professional accounting or advisory firms. Low-quality earnings usually fail to cover the company's capital costs or originate from one-time, non-recurrent sources, thereby reducing their effectiveness as a measure of corporate performance (Omole & Bamidele, 2017).

The way financial results are prepared and presented is crucial, as it significantly influences stakeholders' perceptions of the company. Therefore, the precision and transparency of an earnings quality report are vital for maintaining stakeholder confidence. For organizations, particularly those in capital markets, the principles of transparency, accountability, and integrity are essential for sustaining their reputation. Subpar earnings quality, combined with biased or opportunistic financial reporting, can weaken investor confidence and hinder informed decision-making (ThankGod, 2015).

The evolution of accounting illustrates humanity's continuous progress, with its core principles adapting to modern demands.

Gyorgy (2016) characterizes accounting as the informational foundation supporting various economic decisions, emphasizing its role as a critical information system that facilitates communication and decision-making across sectors. Corporations leverage accounting to engage with stakeholders, offering insights into their financial well-being, operational performance, and cash flows.

To ensure that financial statements are truly informative, they must adhere to certain standards, including relevance, verifiability, and neutrality, as highlighted by Muhammed (2017). When financial information aligns with these criteria, stakeholders—including investors, employees, and regulators—can make more informed and qualitative decisions.

1.1 Statement of the Problem

The reliance on financial reports for assessing a company's viability is becoming increasingly common among investors. As noted by Hope, Thomas, and Vyas (2013), investors often heavily depend on the quality of disclosures presented in financial statements. However, the extent and accuracy of these disclosures frequently spark debates in both academic and professional communities (Muhammed, 2017).

A major factor that can compromise earnings quality is the employment of accounting practices to mask poor sales performance or increased business risks. In line with principles of transparency and disclosure, companies are obligated to furnish comprehensive financial information, enabling stakeholders to make well-informed decisions (Nworgu, 2018). The Financial Accounting Standards Board (FASB) emphasizes that disclosure involves clarifying information pertinent to financial matters, often through notes, supplementary schedules, or other mechanisms (Adah, 2012). Historical instances of corporate failures, where management concealed the actual financial conditions from stakeholders, highlight the necessity for honest reporting.

Mahmoud (2017) asserted that financial statements should accurately reflect both tangible and intangible assets, with human resources considered essential for organizational success. The importance of human capital in driving corporate performance, as discussed in Akintoye (2012), illustrates that beyond physical assets, the skills and expertise of a company's workforce propel its growth. For example, Microsoft's success is largely attributed to its intellectual capital rather than solely to physical assets. Despite this, many companies, particularly in Nigeria's oil and gas sector, still do not fully incorporate human capital into their financial reporting, leading to information gaps.

1.2 Objective of the Study

This study aims to evaluate how human resource accounting influences the quality of earnings in oil and gas companies that are listed on the Nigerian stock exchange.

1.3 Research Question

In alignment with the study's objective, the research question is: How does human resource accounting impact earnings quality in Nigeria's quoted oil and gas sector?

1.4 Research Hypothesis

To address the research question, this study tested the null hypothesis which was;

H01: Human resource accounting does not significantly affect earnings quality in listed oil and gas companies in Nigeria.

2.1 Earnings Quality

Earnings quality is a company's ability to consistently produce reliable earnings that accurately represent both its current performance and future growth potential. This concept is grounded in the belief that investing in shares will yield significant returns, reflected in earnings per share, and provides an understanding of the company's capability for ongoing profitability (Lyndon & Sunday, 2018). In essence, earnings quality is a vital indicator of a firm's capacity to generate stable income over time, which is crucial for investors focused on long-term growth.

High-quality earnings serve as a foundation for evaluating a company's future profit potential, as current earnings often indicate the likelihood of stable income in subsequent periods. This consistency mirrors the company's operational health and is known by several essential components: sales growth volatility, operating cycle, performance metrics, and liquidity. These factors collectively offer a holistic perspective on the elements influencing earnings quality and assist investors in assessing the reliability and sustainability of a company's earnings (Macerinskiene & Survilaite, 2011).

Investors depend heavily on earnings quality to make informed decisions regarding their financial investments. This measurement allows them to differentiate between financially healthy companies and those potentially engaging in earnings manipulation. Firms with authentic, unaltered earnings present a clear view of their financial situation, demonstrating consistent returns and stability that attract investors (Macerinskiene & Survilaite, 2011).

In portfolio management, earnings quality is evaluated by analyzing variations in earnings. By calculating the average fluctuations in a company's returns over time, analysts can gain insights into the stability of those returns, with smaller variances typically indicating a consistent, high-quality earnings stream (Macerinskiene & Survilaite, 2011). According to Abubakar (2015), factors such as financial reporting quality, governance practices, auditor perspectives, and market incentives significantly influence earnings quality, which is crucial for value creation among stakeholders, especially investors.

Research indicates that firms with high earnings quality tend to exhibit strong profitability and sustained performance over time. Key indicators of earnings quality—including persistence, predictability, and smoothness—are essential for a company's longevity. During periods of economic decline, companies demonstrating high-quality earnings are also more likely to attract investment due to a perceived reduction in financial risk (Lev, 2016). This resilience highlights the critical role of earnings quality in fostering economic stability and bolstering investor confidence.

2.1 (1) Sales Growth Volatility

Sales growth volatility assesses the extent of fluctuations in a company's sales growth rate, providing insight into market conditions and revenue stability. This variability is often measured using standard deviation or root mean square (RMS), revealing how actual sales diverge from anticipated growth and informing investors about possible financial instability or resilience (Ofe & David, 2018; Shipper & Vincent, 2018). Purwanti and Kurmawen

(2013) suggest that increased variance in sales growth signifies heightened volatility, which may point to opportunities for aggressive expansion or the risks associated with inconsistent revenue.

2.1 (2) Operating Cycle

The operating cycle (OC) refers to the duration it takes for a business to convert its inventory into cash through sales, reflecting the company's operational efficiency. This metric encompasses the periods for inventory and accounts receivable, indicating how swiftly a company can generate cash from its sales operations (Youssef, 2017). A shorter operating cycle is generally favorable as it indicates rapid cash flow that supports ongoing business functions.

2.1 (3) Performance Standards

Performance standards are benchmarks used to assess the quality and efficiency of operations, especially in industries like oil and gas where they are essential for managing risks. Key indicators, such as production rates, employee engagement, and customer satisfaction, reflect the quality of outputs and operational success (Olayinka & John, 2017). These standards are vital for ensuring long-term business growth and maintaining the trust of stakeholders.

2.1 (4) Liquidity

Liquidity indicates how easily assets can be converted into cash, which is crucial in industries that require flexibility in rapidly changing markets. High liquidity signifies a company's ability to meet obligations without compromising asset value. Liquidity ratios, such as current and quick ratios, are employed to assess financial stability, providing investors with insights into a firm's capacity to endure financial challenges (Umoren, Akpan & Okafor, 2018).

2.1.2 Human Resource Accounting (HRA)

Human Resource Accounting (HRA) involves acknowledging employees as valuable assets, with their acquisition, training, and development viewed as investments vital for boosting productivity. By integrating costs such as wages, salaries, and allowances into financial statements, HRA offers a structured approach to valuing the workforce (Mahmoud, 2017). Organizations that emphasize HRA not only enhance employee satisfaction but also gain a competitive edge by maximizing the value of their human capital (Ezeagba & Abiahu, 2018).

2.1.3 Pension and Retirement Benefits in Nigeria

Pension schemes are financial commitments set aside by employers or employees to ensure income security upon retirement. Organizations have a duty to provide financial support to employees after years of service, reflecting their long-term commitment to workforce welfare. Pension amounts are typically calculated based on a percentage of the average earnings over an employee's career, offering stability and motivation for continued service.

2.2 Theoretical Review

2.2.1 Asymmetry Theory

Asymmetric Information Theory, introduced by Akerlof, Spence, and Stiglitz, emphasizes that in many financial transactions, one party possesses more relevant information, leading to an imbalance. This asymmetry affects capital markets, where insider knowledge can skew fair trade dynamics, underscoring the necessity for transparency in corporate governance (Akerlof, 1970).

2.2.7 Shareholder Theory

Milton Friedman's Shareholder Theory asserts that a company's primary obligation is to maximize profits for its shareholders. Managers are responsible for overseeing operations on behalf of shareholders and are ethically and legally bound to prioritize their interests (Brandt & Konstantinos, 2016).

2.2.8 Human Capital Theory

Human Capital Theory, initially proposed by Schultz and further developed by Becker, posits that investing in education and training enhances workers' productivity and earning potential. By improving employee skills, companies not only boost individual earning capacity but also create a competitive advantage that enhances overall organizational performance (Becker, 1964).

2.3 Empirical Review

Ladegaard and Cast (2015) contend that the quality of financial reporting should provide a comprehensive view of a company's economic standing. Namazi and Razaee (2012) add that thorough reporting allows users to fully comprehend a firm's financial health. Moreover, human resources play a crucial role in a company's success, where factors such as experience and knowledge directly affect productivity, emphasizing the importance of reporting workforce value (Sani & Usman, 2018).

Nguyen (2011) stated that corporate entities need to build capacity to drive the process and revisit their operational and internal control systems. More so, the laws need to be amended and the transition processes need to be handled efficiently, effectively and professionally in order to sustain the confidence of users of accounting services on the confidence of users of accounting services on the skills of professional accountants (Adekunle, 2018).

Human resource constitutes a valuable resource to every organisation in the world. It is as important as the machines, materials and money without whom other resources cannot be blended and coordinated for the purpose of achieving profitability (Nyor, 2016). Characteristics such as experience, skill, knowledge, and age affect the productivity of human resource. Reporting information on the value of a company's human resource via the use of a standard and realistic model could add value to the information content of financial reports of organizations and hence assist users in making informed decisions (Sani & Usman, 2018).

3. Methodology

The *ex post facto* research design was used for the study of the relationship between dependent and the independent variables of the subject of study. Also, the study adopted panel regression in analysing for the period of 15 years from 2008-2023. The essence of the design is because the study involved the measurement of different variables in the assessment of the extent of the relationships.

Model Specification

Y = Earnings Quality = EAQ (dependent variable)

X = Human Resource Accounting = HRA (independent variable)

$Y = f(x)$

$Y = f(x_1, x_2, x_3)$

Where,

y_1 = Operation cycle (OPC)

y_2 = Sales volatility (SAV)

y_3 = Performance Standard (PES)

y_4 = Liquidity (LIQ)

Where:

x_1 = Wages and Salaries (WAS)

x_2 = Pension and Retirement Benefits (PRB)

x_3 = No of Employees (NE)

Moderating Variable

Z1 = Firm Size (FSE)

Functional Relationship

EAQ = F (WAS, PRB, NE, FSE) Equation

Functional Model

$EAQ_t = \beta_0 + \beta_1 WAS_t + \beta_2 PRB_t + \beta_3 NE_t + FZE_t$
Model

4.1 Inferential Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
<i>Dependent Variables</i>					
OPC	200	0.464	0.348	0.045	1.232
SAV	200	2.322	2.030	0.022	3.422
PES	200	1.964	2.286	0.270	3.242
LIQ	200	0.552	1.774	2.088	2.442
<i>Independent Variables</i>					
WAS (N'Million)	200	2126.26	2225.18	1.24	440.87
PRB (N'Million)	200	426.46	466.60	4.10	3296.58
NEMP	200	340.92	343.74	40.00	1110
FZE	200	7.434	0.714	0.210	2012

Source: Authors Computation, 2024.

4.1.1 Interpretation of Inferential Statistics

The operation cycle (OPC) with an average value of 0.464, which can be interpreted as 46.4 %. The result shows that the minimum and maximum values are 0.045 and 1.468 respectively; with standard deviation, which is, a measure of volatility or degree of change is given as 0.248. This suggests that the human resource accounting has significant impact on operation cycle.

The Sales Volatility (SAV) with an average value of fall the companies is 2.322. However, the standard deviation stands at 2.030, as can be seen in the differences that exist between the highest and the lowest values 3.422 and 0.022 respectively, which depicts that there exist wide range of dispersion in Sales Volatility (SAV). This suggest that the human resource accounting has positive influence on Sales Volatility

The result also shows that during the particular years of study, the companies on average maintained performance standard (PES) of 1.964; the minimum and maximum values of performance are 0.270 and 3.242 respectively with standard deviation of 2.286. This suggest that human resource accounting influenced positively on performance.

The liquidity (LIQ) which is an income that continues from one year to the next, often affected by the magnitude of the accruals; in other words, its what determines whether or not earnings of company are expected to recur or not: it has mean value of 0.552 with standard deviation of 1.774. This suggest that liquidity was influenced positively by human resource accounting.

Based on the independent variables in which one of them is Wages and Salaries expressed in Naira Million having its minimum and maximum values as N1.24million and N440.87million respectively, with a very wide range of variations as can be seen in the standard deviation which is 2225.18.

Similarly, Pension and Retirement Benefits (PRB) which is also expressed in Naira Million, has mean value of N426.46 million with spreading-out value or dispersion value of 466.60. Also, Number of Employees (NEMP) is having an average value 340.92 and standard deviation value of 343.74, with lowest and its highest values being 40.00 and 1110 respectively. These mean that on average the firms have employed 200 workers.

Furthermore, the firm characteristics variable called Firm Size (FZE), has an average value of 7.434 which indicates that the firms on average financed about 74.34% of asset on borrowing. This

independent variable takes values between 0.210 and 2.012 with standard deviation of 0.714.

The Operation Cycle (OPC) has a mean value of 0.464, reflecting an operational efficiency rate of 46.4%. The range of values spans from a minimum of 0.045 to a maximum of 1.468, with a standard deviation of 0.248, indicating that human resource accounting plays a significant role in influencing the operation cycle.

For Sales Volatility (SAV), the average value across the companies studied is 2.322, accompanied by a standard deviation of 2.030. The minimum and maximum values are 0.022 and 3.422, respectively. This considerable range signifies a high level of variability in sales volatility, suggesting that human resource accounting has a notable positive impact on sales stability.

Over the study period, companies reported an average Performance Standard (PES) of 1.964, with minimum and maximum values of 0.270 and 3.242, respectively, and a standard deviation of 2.286. This finding indicates that human resource accounting positively influences overall company performance.

The measure of liquidity (LIQ), which indicates income stability over time, averages 0.552 and has a standard deviation of 1.774. This suggests that human resource accounting positively impacts liquidity, implying that increased investments in HR may bolster the financial stability of the company.

Regarding independent variables, Wages and Salaries, expressed in Naira Million, range from N1.24 million to N440.87 million, with a significant standard deviation of 2225.18. This variability emphasizes the effect of wage structures on financial results.

Similarly, Pension and Retirement Benefits (PRB) in Naira Million average N426.46 million with a standard deviation of 466.60, revealing a substantial spread. The average Number of Employees (NEMP) stands at 340.92, with a standard deviation of 343.74 and ranging from 40 to 1110 employees, indicating that firms typically employ around 200 workers, reflecting varying employment levels among companies.

Lastly, Firm Size (FZE), which captures firm characteristics, has an average of 7.434, indicating that companies finance about 74.34% of their assets through debt. This variable has a range from 0.210 to 2.012, with a standard deviation of 0.714.

4.2. Correlation Matrix

Table 2: Correlation Matrix

	OPC	SAV	PER	LIQ	WAS	PRB	NE	LEV
OPC	1							
SAV	0.45	1						
PES	0.734	0.622	1					
LIQ	0.348	0.468	0.872	1				
WAS	0.368	0.112	0.244	0.490	1			
PRB	0.828	0.008	0.010	0.126	1.086	1		
NE	0.258	0.198	0.072	0.222	1.292	0.732	1	
FZE	0.070	0.454	0.244	0.218	0.508	0.414	0.188	1

Source: Authors Computation, 2024.

Table 2 illustrates that there is no evidence of multicollinearity among the independent variables, as the correlations among them are generally weak. There is a positive correlation ($r = 0.45$) between OPC and SAV, while OPC shows a negative and insignificant correlation with the other variables.

SAV is positively correlated with all variables except Wages and Salaries (WAS), which maintains a positive association with it. The correlation coefficients for PES with LIQ, WAS, PRB, NEMP, and FZE are 0.872, 0.244, 0.010, 0.072, and 0.244, respectively. PES also has a positive correlation with WAS ($r = 0.490$), PRB ($r = 0.126$), NEMP ($r = 0.222$), and FZE ($r = 0.218$). Additionally, there is a positive correlation between PRB, NEMP, and LEV, with

NEMP and LEV having a correlation coefficient of 0.188. Although the coefficients for PRB, NEMP, and WAS may appear relatively high, they do not indicate multicollinearity, which will be further assessed using the Variance Inflation Factor (VIF).

4.2.1 Variance Inflation Factor (VIF)

As noted earlier, the result presented in Table 3 shows the VIF of variables considered in this study for multi-collinearity test. According to various numbers of authors, they emphasized that a VIF with the value below 5 and a tolerance value that is approaching 1 indicate no harmful effect of multi-collinearity.

Table 3: Variance Inflation Factor

Variable	VIF	1/VIF
Model without Control Variable		
WAS	2.22	0.574
NE	1.92	0.682
PRB	1.62	0.805
Mean VIF	1.92	
Model with Control Variable		
WAS	2.49	0.476
NE	1.84	0.687
PRB	1.77	0.800
LEV	1.58	0.950
Mean VIF	1.92	

Source: Authors Computation, 2024.

The results from the VIF analysis, detailed in Table 3, are employed to examine multicollinearity. According to various authors, a VIF value under 5, coupled with a tolerance value nearing 1, suggests the absence of problematic multicollinearity.

In Table 3, the average VIF values are recorded at 1.75 for the model excluding the control variable (comprising WAS, NEMP, and PRB) and 1.61 for the model including the control variable (which adds LEV to the previous variables), both well beneath the 5 threshold. In Panel A, the VIF values for WAS, NEMP, and PRB are 2.22, 1.92, and 1.62, respectively, while in Panel B, the VIF values for WAS, NEMP, PRB, and LEV are 2.49, 1.84, 1.77, and 1.58, respectively. The tolerance values in both instances are close to 1, indicating that these variables are not exact linear combinations of each other.

4.2.2 Hypothesis Testing

4.2.2.1 Hypothesis Test (H0)

Objective: To evaluate the impact of human resource accounting on the earnings quality of publicly traded oil and gas companies in Nigeria.

Research Question: What is the extent of the influence of human resource accounting on the earnings quality of these companies?

Hypothesis: Human resource accounting does not significantly affect the earnings quality of quoted oil and gas companies in Nigeria.

Table 5: Earnings Quality and Human Resource Accounting

Variable	Fixed Effect (FE) Cluster-robust Standard Error	
	Coeff. (t-stat.)	Coeff. (t-stat.)
	[P – value]	[P – value]
Wages and Salaries (WAS)	0.034*** (3.179) [0.001]	0.034*** (3.314) [0.000]
Pension and Retirement Benefits (PRB)	0.022** (2.166) [0.011]	0.022** (2.186) [0.011]
Number of Employees (NE)	0.007 (1.079) [0.209]	0.006 (0.743) [0.376]

Firm Leverage (LEV)		0.006 (0.174) [0.866]
Constant	1.372*** (12.279) [0.000]	1.485*** (24.038) [0.000]
Observations	200	200
R-squared	0.546	0.546
Adj. R-squared	0.515	0.523
F-Stats. [P – value]	69.43 [0.000]	327.6 [0.000]
Prob > F	0.000	0.000
Heteroskedasticity tests [P – value]	1075.66 [0.000]	1075.66 [0.000]
Pesaran's CD test [P – value]	2.044 [1.956]	2.056 [1.957]
Autocorrelation test [P – value]	173.061 [0.000]	159.021 [0.000]

Source: Authors Computation, 2024. **Note:** *** denotes $p < 0.01$ and ** denotes $p < 0.05$

Interpretation

The middle column of Table 5 shows an F-statistic [P-value] of 69.43 [P-value], indicating that the model is statistically significant at the 5% level. This suggests that the combined effects of Wages and Salaries (WAS), Pension and Retirement Benefits (PRB), and Number of Employees (NEMP) on Operation Cycle (OPC) are significant. The adjusted R-squared value of 0.515 indicates that the human resource accounting variables collectively account for approximately 51.5% of the variance in OPC. Furthermore, the individual impact of human resource metrics, as revealed by their beta (β) coefficients, shows that WAS has a positive and statistically significant effect at the 5% level [$\beta = -0.069$; P-value = 0.000], highlighting its considerable impact on OPC during the study period.

In the third column, the F-statistic [P-value] for this model is 217.6 [0.000], indicating strong significance at the 5% level and reflecting a significant combined effect of human resource accounting indicators along with firm leverage. The adjusted R-squared of 0.523 confirms that the model adequately explains about 52.3% of OPC variations. While some findings remain consistent, such as the positive and significant coefficient for WAS, the NE coefficient shows slight variation but continues to reflect positive significance across models.

The results indicate that critical components of human resource accounting, specifically wages and salaries as well as pension and retirement benefits, have a positive and statistically significant effect on the earnings quality. This suggests that as companies enhance their investments in human capital, they concurrently improve the reliability earnings quality. Conversely, the number of employees and firm leverage did not show a significant influence on earnings quality, suggesting that simply increasing the workforce or adjusting leverage ratios without focusing on the quality of human capital investments may not be adequate for enhancing financial performance. The adjusted R-squared value of 0.515 suggests that 51.5% of the variance in earnings quality can

be accounted for by these human resource accounting indicators, emphasizing their significance in understanding the dynamics of earnings quality within the oil and gas sector.

4.3 Discussion of Findings

The findings from this study reveal a significant correlation between human resource accounting and the earnings quality of publicly traded oil and gas companies in Nigeria. This relationship underscores the pivotal role that human capital plays in shaping the financial narratives that investors depend on for their decision-making processes. Specifically, human resource accounting provides critical insights into the value that employees bring to an organization, ultimately affecting its financial performance.

This aligns with the assertion made by Iatridis (2010), who posited that high-quality financial reporting positively impacts shareholder value. In this regard, the present study reinforces the concept that transparency in financial information, particularly in relation to human assets, is essential for building and sustaining investor trust in the volatile oil and gas sector.

The importance of transparency in financial reporting cannot be overstated, especially in industries characterized by significant capital investment and risk, such as oil and gas. Investors seek assurance that the companies they are investing in are providing an accurate representation of their financial health, which is often mediated by the quality of the financial reports presented to them. Furthermore, this study corroborates Oluwagbemiga's (2014) assertion that the effective communication of financial information through well-prepared financial statements or comprehensive annual reports serves to furnish shareholders with valuable insights into a company's operational performance. Such transparency not only highlights the potential for economic growth but also reflects the strategic contributions of human capital to overall business performance.

Moreover, the study identified that human resource accounting, operationalized through measures such as wages and salaries,

exhibits a positive and significant effect on the quality of financial reporting in the selected oil and gas companies. This finding suggests a lack of negative discretionary behavior from managers that could lead to the manipulation of financial figures for personal gain.

In contrast to Nawaiseh's (2016) findings, which indicated that managers may engage in income smoothing practices to maintain a favorable reputation, this research suggests that, in the context of the Nigerian oil and gas sector, managerial integrity remains intact. The differences in findings between this study and previous research may arise from variations in managerial practices across different industries or regions, thereby emphasizing the necessity for more industry-specific studies to gain a deeper understanding of the financial reporting behaviors that are prevalent within the oil and gas sector.

4.4 Implications of Findings

The implications of this study are extensive, affecting a wide array of stakeholders, including management teams of oil and gas companies, regulatory bodies, accounting practitioners, employees, government agencies, investors, shareholders, and academic researchers. Each group has a vested interest in understanding how human resource accounting impacts earnings quality, as this can inform their strategies and practices moving forward.

4.4.1 Implications for Company Management

For the management of oil and gas companies, the study reveals the profound significance of integrating human resource accounting into their financial reporting practices. The substantial value generated by human assets is especially pronounced in the oil and gas industry, where skilled personnel are instrumental in achieving operational success and maintaining competitive advantage. Consequently, the findings advocate for the incorporation of human asset metrics into financial reports. By doing so, management can enhance stakeholders' understanding of the company's operational effectiveness, strategic positioning, and overall value proposition. This can lead to improved stakeholder engagement and increased investor confidence, as stakeholders are better equipped to assess the company's ability to generate sustainable profits in a challenging economic environment.

Additionally, management should consider implementing training programs and workshops aimed at enhancing their understanding of human resource accounting principles. By fostering a culture of transparency and accountability in financial reporting, they can further strengthen the company's reputation and build stronger relationships with investors and other stakeholders.

4.4.2 Implications for Regulators

For policymakers and regulatory bodies, the findings underscore the necessity of implementing robust measures that compel oil and gas companies to produce high-quality earnings reports. Regulatory frameworks should promote transparency and accountability in financial reporting to mitigate the risks associated with financial misrepresentation.

This approach will not only safeguard investor interests but also contribute to fair market practices. By ensuring that companies adhere to established reporting standards, regulatory bodies can

reduce the likelihood of financial scandals that can damage investor confidence and destabilize markets.

Moreover, the implementation of stricter regulatory oversight may lead to a reduction in the need for investigations by antitrust regulators, as companies become more vigilant about maintaining compliance with reporting standards. This, in turn, can bolster the overall integrity of the financial markets and enhance investor confidence in the oil and gas sector.

4.4.3 Implications for Accounting Practice

The findings of this study provide critical insights for accounting professionals operating in Nigeria, highlighting the importance of human resource accounting in enhancing the preparation and presentation of quality financial reports. By adopting practices that incorporate human resource metrics into their financial reporting, accountants can facilitate better decision-making processes within oil and gas companies. This enhancement can lead to improved financial performance, increased stakeholder satisfaction, and ultimately contribute to the long-term viability of the organization.

Accounting practitioners should also consider collaborating with human resource departments to ensure that human capital metrics are accurately reflected in financial reports. This collaborative approach can enhance the quality of financial information available to stakeholders and improve the overall credibility of the financial reporting process.

4.4.4 Implications for Investors and Shareholders

The implications of this study are particularly significant for investors and shareholders, as it provides valuable insights into the true financial position of oil and gas companies based on the quality of reported earnings. Investors can gain a more nuanced understanding of how human assets contribute to the management and realization of their investments. Consequently, this knowledge empowers them to make more informed investment decisions, fostering confidence in the operational capabilities of these companies and their potential for future profitability.

Additionally, investors should advocate for greater transparency and accountability from the companies in which they invest. By demanding high-quality financial reporting that includes detailed disclosures related to human capital, investors can help drive positive change within the industry and contribute to an environment where businesses prioritize ethical practices and transparency.

4.4.5 Implications for Researchers

The findings of this study provide a valuable foundation for future research in the domain of human resource accounting and its influence on earnings quality, specifically within the oil and gas sector. Historically, prior studies have predominantly focused on the manufacturing and service industries, leaving a noticeable gap in the literature regarding the unique challenges and dynamics inherent to the oil and gas industry. This study paves the way for researchers to delve deeper into these aspects, potentially broadening the scope of human resource accounting to include comparative analyses across different sectors.

Furthermore, future research endeavors could investigate the interplay between human resource accounting and other variables, such as corporate governance, financial performance, and investor

sentiment. By exploring these relationships, researchers can contribute to a more comprehensive understanding of how human resource accounting practices can enhance organizational performance and drive shareholder value.

5. Conclusion & Recommendations

This study conducted an in-depth investigation into the impact of human resource accounting on the earnings quality of oil and gas companies operating in Nigeria. The findings provide robust empirical evidence that key human resource accounting indicators—specifically, wages and salaries, pension and retirement benefits, and the number of employees—jointly exert a significant influence on sales volatility and various performance metrics. The adjusted R-squared value of 0.515 indicates that these human resource accounting indicators account for a substantial portion of the variance in sales volatility, thereby underscoring their critical role in effective financial reporting.

Additionally, the research demonstrated that pension and retirement benefits serve as vital determinants of operational cycles, while the number of employees significantly impacts performance standards and liquidity. Given the findings presented in this study, several recommendations are proposed for various stakeholders engaged in financial reporting and human resource management:

1. **Board of Directors (BOD):** The BOD should emphasize the critical importance of earnings quality by closely supervising the financial statements prepared by human assets within oil and gas companies. This oversight will foster a culture of accountability and encourage managers to produce credible and reliable financial reports, ultimately benefiting the organization's reputation and reinforcing stakeholder trust. Regular reviews and discussions regarding financial reporting practices should be integrated into board meetings to ensure continuous improvement in reporting quality.
2. **Management of Oil and Gas Companies:** Company management must prioritize enhancing the relevance, faithful representation, and clarity of financial reports. By providing comprehensive and well-organized information, they can assist employees in assessing and evaluating earnings quality, which is crucial for maintaining high-performance standards. Additionally, management should invest in training programs for employees to ensure they understand the significance of accurate financial reporting and the role that human capital plays in achieving organizational objectives.
3. **Collaboration with Government Agencies:** Management of oil and gas companies should proactively collaborate with government bodies to ensure fair and transparent reporting regarding earnings quality. This partnership will help accurately reflect the contributions of human assets and improve compliance with regulatory standards. By engaging with government agencies, companies can also stay informed about changes in regulations and best practices in financial reporting.
4. **Provision of Relevant Information:** Management should prioritize the provision of relevant, comparable, understandable, and timely information concerning key metrics such as sales volatility, operational cycles,

performance standards, and liquidity. This practice will enhance stakeholders' ability to evaluate the company's financial health accurately and make informed decisions based on comprehensive information.

5. **Regulatory Bodies:** Regulatory authorities should devise mechanisms to reward companies that adhere to regulatory standards and disclose information relevant to earnings quality assessments. Implementing a system of incentives for compliance can motivate companies to prioritize transparency and accuracy in their financial reporting. Conversely, sanctions should be imposed on companies that attempt to conceal pertinent information, thereby reinforcing the importance of accountability within the industry.
6. **Avoiding Undue Earnings Management:** Firm management should refrain from engaging in earnings management practices that disguise inefficiencies or incompetence. Such behaviors ultimately undermine the quality of reported earnings and can lead to long-term negative consequences for the organization. Management should cultivate a culture that values ethical behavior and transparency in financial reporting, encouraging employees to report any practices that compromise the integrity of financial information.

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