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Investment in Human Asset: For or Against

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Authors' contributions

This work was carried out in collaboration between both authors. Author NJ designed the study, performed the statistical analysis, wrote the protocol and wrote the first draft of the manuscript. Author GPE edit, made corrections and formatting the entire work. Both authors read and approved the final manuscript.

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ABSTRACT

Human asset investment as an essential tool for individual, household, firm and nation building has drawn wider attention due to increasing globalization in the world economy with the felt increasing need for higher earnings and productivity. Human asset investment has been considered to be one of the fundamental solutions to the challenges facing firm's greater productivity and nation building in Nigeria and Africa as a whole. This study thus examined the relationship between human asset investment and organization performance from various critical perspectives with the aim to making necessary policy recommendations. The study adopts logical literature review technique to present a technical evaluation of the achievements that adds to the individuals, household, firms and countries that invest in human asset. This study concluded that those companies and nations which invest in human asset have the tendency to be more successful, profitable economically, tactically placed and generally have motivated employees which in addition leads to stable and better performing employees as compared to the firm's and nations that are less insistent in human asset investment.

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1. INTRODUCTION

Intellectual asset is relevant to modern knowledge business and the detail of human asset measurement is about accounting the intellectual quality of people in the organization [1]. To invest in human capital is worrisome as employees that are trained by one organization can freely join another organization with better offer, therefore making loss in the investment [2]. It is therefore imperative to evaluate the association among human capital and corporate wealth.

Human asset is a measure of the Knowledge, skills, experience, education, capacity and attributes of labour which motivates the productive level and earning potential of a human being [3]. Human capital can be improve in terms of skills, qualifications, educational level, work experience, technology, social communication skills, intelligence, judgment, personality, habits, traits, creativity, fame and brand image of the individual, health, loyalty, punctuality among others. The idea of human asset recognizes that, all the labour are not equal, but different individuals, households, corporate bodies and government can boast on the quality by investing in human asset; in experience, education and abilities which will influence the productive capacity and improve earnings [4]. Nelson, et al. [5] Asserts that, investment in human capital could have an influence on nation's productivity in both micro and the macro level, and this could be applicable to household earnings and corporate earnings.

Improvement in technology, individual health, experience, personal goals, values and motivation have great influence in individual earnings, household success, business performance [6].

Several studies such as several authors [7,8,6,9,10,5] have acknowledged the relevance of human capital investment for achieving meaningful corporate performance and sustainable economic growth of any nation. But the issue of measurement has been a problem to investors.

Though other assets or products can be quantified in a actual monetary term, the value of a human asset is not easily reduced to numbers. To an individual, household, corporate or institutional investor, human asset could be measure in terms of present value of all future earnings [11]. Any good analyst to a great extent can assess the future potentials of a human being and invest from the present. Due to the felt difficult nature in measuring human asset with the perception that human assets produce return over an extended period of time, over the years, investment in the sector is lacking [11].

This research decides to fill the identified gap by employing systematic literature review approach to evaluate the link between human capital investment, individual, household and corporate performance in the Nigerian environment.

2. STATEMENT OF THE PROBLEM

Over the period, government in Nigeria seems to have undermined the relevance of human capital investment, therefore budgeting little percentage to the education and health sector of the economy. Budgetary provision for education in the 2019 budget has again fallen below the 15% to 20% minimum requirement for developing countries such as Nigeria by the United Nations Educational Scientific and Cultural Organization. The ₦8.83tn estimates in the 2019 budget, the education sector was apportioned ₦620.5bn; showing 7.05%, And the budgetary provision for health sector in the 2019 budget was ₦315bn; showing less than 4% which fall below the minimum requirement of 26% stipulated benchmark by the UNESCO for developing countries like Nigeria. In 2018, Nigeria ranked 152nd out of 157th countries in the World Bank's human capital index. The report from the World Bank showed that since June 2018, 4M Nigerians have tied with the poverty club followed by factors such as poor education funding, poor health care system, unemployment, insecurity, among others. These call for serious concern to Nigerians.

When it comes to private establishment or firms, human capital has been seen as a vital tool for corporate performance [7]. Equally it is occasioned by costs on the side of the business and this could involve continuous progress costs, further development and training costs, etc. Most times, managers consider the costs and forget how relevant the human asset factor is to the success of the firm, therefore fail to invest in human capital. Most managers fail to recognize the importance due to the challenge of not according the human asset adequately in the financial statement of the organization, not like the other assets are disclosed in the company's balance sheet.

Employee decision to move to another organization is another critical challenge to invest in human asset by organization. Organizations are only interested to train employees to develop firm-specific knowledge that are productive in the current organization but not for other organizations [7]. Majority of the organizations are not willing to invest in firm's human capital due to being able to recover investment in human asset since some workers can just move to new organizations with higher incentives offer [2]. Soubjaki [7] identified the constraints of materiality in financial reporting. Information is material when its omission could affect the resource allocation decisions by decision makers on the basis of an organization's financial report [7]. In this case, an item that is felt to be immaterial can be omitted. Human capital is asset, an economic component managed by organization with objectively measurable ownership cost that is measurable by the output and earning potentials of specific competences and therefore predictable [12].

This debate on whether to invest in human capital is profitable or not has drawn the attention of many researchers, among which only few have examined the Nigerian context, and their findings and conclusions also differ. There has not been any consensus on whether to invest in human capital or not. This is a position paper and it will employ systematic literature review approach to examine human capital investment and firm performance.

3. METHODOLOGY

This study is a position paper and it utilized a systematic literature review approach where a specific search protocol was employed in identifying good and related research articles to be employed in the study. Looking for relevant articles constitute searching for articles on human asset investment and productivity or earnings in both the private and the public sector.

4. THE CONCEPT OF HUMAN ASSET INVESTMENT

Scholars have stated, to attain desirable economic development by any State or country, Human asset investment should be made the centre point of the expansion program [5,13,9,14, 15]. Adekoya [9] asserts that, any investment commitment that does not craft the avenue for human asset investment may not perform maximally and reduce poverty. It is so because, human asset that would be responsible in coordinating other assets to attain desire results both in the short and long-run in an organization or a nation.

The emphasis here is that, a strong association exists among human asset investment and organizational or institutional advancement globally. Human asset investment is the commitment of fund into skills, qualification, experience, technology, social communication skills, intelligence, judgment, personality, habits, creativity, and fame and brand image of an individual to enable best performance and higher earnings in both investor and investee. Human asset investment can be described as the commitment of resources into collective knowledge, skills and intangible assets of individuals that can be employed to create economic value [16,17]. Monimah [18] maintained that, for any significant advancement to take place in any sector, it must commence with the human asset. Human asset is taken to be the element of development and a base for economic take-off [16]. In agreement with this, Obialor [19] opined that making financial commitment in human asset could surmount several challenges that act as engine to greater productivity. However, the task of Human asset investment is high and committing. The investment in human asset has been acknowledged by economists to be a relevant precondition and a valuable engine for economic development of any country. Attaining this could be through expanding the skills, knowledge including capabilities employed via good health care, training and education by all human beings in the country. Yesufu [20] opined that the importance of human asset investment has becomes one which ensures that, the labor force is always tailored for, and improved to meet the emerging challenges of its total surroundings. This is due to the vibrant system, which is relentlessly changing in reaction to diverse shocks such as the introduction and detection of new approach, environmental, social and economic factors that can influence change. Hence, the employees already on the job call for more training and reorientation to meet the rising challenges.

Exceptional human ability could be attain, build and rebuild in different ways, which could include training, education, retraining, health care provision as well as commitment in all social services that persuade human asset productive abilities, including social communications, Housing and transport. Training, education and retraining are normally pointed as the most effective and direct ways of building the human knowledge and skills for useful service.

Similarly Mahroum [21] opined that, human asset investment and management at the macro level is about developing three key abilities, namely; the talent capacity building, the capacity to organize talent, and the capacity to explore talent from elsewhere. Collectively, these three abilities formed the strength of any organization or country's human asset competitiveness.

In findings of the relevance of human asset investment, the UNECA report in 2018 has described human capital as the skills, knowledge, characteristics, managerial and physical effort needed to manipulate asset, land, technology and material to produce goods and services for human utilization.

In a similar view [22] sees human asset as the most vital element for success in organization today. So building human asset call for cultivating and creating environment in which human asset can rapidly learn and apply new ideas, skills, competencies, behaviors and attitudes.

5. THEORETICAL REVIEW

This research adopted the theory of human capital that was initiated by Schhultz [23] which was expansively builds by Simon [24]. Theory of human capital has its tap from labor economics, which focuses on broad work force in quantitative term. The theory asserts that, health, skills, knowledge, training or education boast the performance of worker force by inputting useful skills and knowledge, therefore improving the employee's future earnings via improvement in their life income. The theory stated that, financial commitment on health, skills, training or education and improvement is a cost, and should be regarded as investment since it is committed with a view to expanding personal earnings. Theory of human capital is employed to support or explain work-related salary or wage differential. Theory of human capital assumes that, health, skills, education or training influences every extra production from labour which influences the level of earnings.

Human capital theory has drawn the attention of researchers in the field of finance, accompanied with several empirical studies. From the origin of the theory, education and training influence the marginal output of labour and the marginal output influences earnings. Also, the cost of financial commitment in human asset is described by the duration of earnings of educated and trained labor. Education, skill, work, output and earnings are seen in direct relationship. When people are educated and knowledge is acquired, the acquired knowledge could lead to greater output. If such individuals are employed by employers, higher earnings follow. It means that, higher education, skill or experience normally influences private wealth improvement, success of career and national economic development.

In most nations, data on rates of return concerning graduates are utilized to control the private and public split in education and training financing among fee payments and public subsidies [25]. Although there has been a debate about the respective roles by public and private investment, the challenge in accounting for the value of human capital in before and after investment has been a concern to potential investors. Again the free movement of human asset after investment has also been a concern to corporate and other investors. There is therefore, the serious debate whether to invest in human capital or not. This study is a position paper and it will use systematic literature review technique to ascertain the true position of the debate.

6. EMPIRICAL LITERATURE

From foundation, the theory of human capital has been theme to series of critiques. Outside the mainstream economics, few scholars with close study knowledge in training and education have approved the theory of human capital [24]. Majority of studies in educational economy and labor have criticized the center plot right from Bowles and Gintis [26] to that of Spring [27]. Olatunji, et al. [15] examined the influence of human asset investment on economic expansion of Nigeria. The Solow augmented model which incorporated the task of human asset as a yardstick for economic expansion was adopted to investigate the relationship connecting human capital investment and expansion of the economy in Nigeria. Yearly data was explored from the CBN Statistical Bulletin between 1970 and 2011. Method of Ordinary least square method, unit root test from the augmented Dickey-Fuller, Johansen co-integration and Error correction model were employed as estimation techniques. Finding indicated an inverse short run relationship among economic expansion and human asset investment in Nigeria. Owede, et al. [28] examined the link connecting real gross domestic product (RGDP) and government expenditure (GE) in the financial commitment in human asset; which includes spending on health, other social and community services and education from 1980 to 2012. The research extended by separating total government outlay into recurrent and capital outlay. Vector autoregressive methodology was employed as the technique. Johansen co-integration test suggests that all the variables employed were co-integrated in Nigeria. Granger causality test on its capacity discovered that, causality is running from government capital expenditure and government recurrent expenditure in the three sectors to real gross domestic product in the long run. Additionally a bi-directional causality relationship discovered running among government capital expenditure and real gross domestic product in the long run but a unidirectional link discovered running from government capital expenditure to government recurrent expenditure. The output from the variance decomposition generated discovered that government capital expenditure is comparatively more vital than government recurrent expenditure in explaining the variations in RGDP as government capital outlay also identified to explain the variations in government recurrent expenditure than real gross domestic product. The impulse response function established that a shock to government capital expenditure and government recurrent outlay in health, other social and community services and education have a positive effect on economic development in Nigeria. Another similar study conducted by Nelson, et al. [5] researched on the influence of government social expenditure on economic expansion by employing government expenditure on health, other social and community services and education as independent variables and agricultural output as dependent variable. The regression results showed a positive link among the variables.

Neeliah [13] studied the Mauritius economic situation to know if investing in human asset could lead to economic growth and development by using vector error correction mechanism with yearly data from 1970 to 2012. Results indicated that, stock, labor and human asset are important factors influencing economic growth and development in Mauritius, with human asset having long-run output elasticity. That of East Asia, [6] ascertained the contributions of human capital investment and economic growth with desk research approach. Findings show that, human asset venture in technology, health and education have positive persuasion on economic development. In a similar research on the North Africa region and Middle by Soubjaki [7] which investigated the challenges facing human capital return on investment with the application of systematic literature review methodology indicated that, companies that invest in human asset are tend to be more successful, profitable and strategically placed. Obialor [19] conducted a study in South Africa, Nigeria and Ghana between 1980 and 2013 by employing VECM to know the relationship among investment in health, education, literacy and economic expansion indicated a positive association among the variables and add that a country with more commitments to health, education, literacy advancement tend to do better than others with lesser commitments. [29] concentrated on investigating pay perception, morale and firm performance and customer satisfaction with the use of descriptive statistics and correlation analysis. The result found a strong correlation between pay perception, morale, firm performance and customer satisfaction.

Ogunleye, et al. [16] ascertained the connection between human capital improvement and economic expansion in Nigeria from 1981 to 2015 with OLS application. In measuring investment in health, education, rate and RGDP, the results indicated a positive significant link among human capital improvement and economic expansion. Adekoya [9] went further to see if per capita income can increase as a result of investing in health and education. The study utilized granger causality technique to measure the link between health, education and per capita income in Nigeria from 1995 to 2017 and found out that, no causal relationship exists between the variables; neither unidirectional nor bidirectional causal effect exists. In another development, Ogunniyi [10] included life expectancy to health and education in Nigeria between 1981 and 2014 with the use of ARDL bound estimation technique in evaluating the connection between human capital formation and economic expansion. The findings show a long-run dynamic link between human capital formation and economic growth in the study period. Victoria [8] also researched the link among capital asset investment and economic growth in Nigeria from 1982 to 2011 with the aid of regression technique in measuring health, gross fixed capital formation, education, primary, secondary school and tertiary school enrolment rate and real gross domestic product. From the results, investment in health and education has positive significant association with economic increase for the period.

7. CONCLUSION

This study has made frantic effort to establish the influence of human asset investment on productivity as a vital element of firm or organization performance and economic development. This study widened its scope to extensively ascertain the influence of human capital investment on individual, household, firm and the entire economy of a nation. It therefore investigated the relationship between human capital investment, individuals, households, companies and the entire economy in Nigeria and outside Nigeria on the results from the systematic literature review; targeting on the conclusions and recommendations drawn from the studies. From the findings of the reviewed articles, human asset investment have benefited majority of individuals, households, companies and overall economy. Furthermore, it has also been established that, individuals, households, companies and nations that have invested in their human asset have seen an increased level of earnings or productivity associated with high returns. It is therefore concluded here based on the reviewed papers that there is a linear association between human capital investment, organizational performance and economic growth of a nation as a whole. Investment in human asset by these families, companies and nations have been associated with increased employee motivation and low turnover rates. It is therefore concluded based on the reviewed papers that there is a linear association between human capital investment, organizational performance and economic growth of a nation as a whole. In spite of all the benefits from investing in human asset by individuals, household, firms and Nigeria in particular still remain low.

8. RECOMMENDATIONS

From the foregoing, policy measures to address the existing problems would include;

a) Instituting legal reforms to address the problems of an employee who is trained by a company to move to another company or organization at his will.
b) Financial reporting should not see the worth of human asset as immaterial, thereby excluding it from the balance sheet, but to see it as economic component that is measurable by the output and earning potentials of specific competences.
c) The Nigerian government should improve the budgetary provision in the area of education and health care delivery to meet the United Nation Education Scientific and cultural requirement of 15% to 20% minimum requirement and UNESCO 26% minimum requirement for the health sector.
d) There should be a minimum percentage that should be set aside for training and retraining for employees in every establishment.

9. LIMITATIONS AND FUTURE RESEARCH

The study has some limitations: the methodology used cannot reveal a causal effect. Systematic literature review draws on previous research articles to come up with findings and conclusions but may not be efficient in experimental designs in building causal effect and conclusions. Future studies should employ time series data with varying econometric tools to verify the claims from this study.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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