

## HUMAN RESOURCE ACCOUNTING AND PERFORMANCE OF GOVERNMENT WORKERS IN OSUN STATE, NIGERIA.

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### **Abstract**

*The main objective of the study is to investigate the impact of human resource accounting (HRA) on performance. The study also aims to examine the effect of HRA acquisition costs which include recruitment, selection, and placement costs on performance. To achieve this, the study analyzed the effect of recruitment costs on the performance of civil servants in Osun State, Nigeria. It also evaluated the effect of selection costs on performance and examined the impact of placement costs on the performance of the respondents. Primary and secondary data were used for the study. Simple random and purposive sampling was used to select three hundred (300) respondents. Ordinary Least Square Regression analysis (OLS) was used to analyze the effect of each index of HRA-acquisition cost on organizational performance. The result revealed that selection cost has no significant effect on employee performance; recruitment cost does not have a significant effect on employee performance while it was found that placement cost has a positive and significant effect on employee performance. Also, indices of acquisition costs collectively analyzed against employee performance revealed that acquisition costs have a positive and significant effect on employee commitment. The research concluded that HRA has a positive and significant impact on organizational performance. The study suggests that employers invest in their employees to improve performance.*

**Keywords:** Acquisition Costs, Employee Commitment, Employee Performance and Human Resource Accounting.

### **1. Introduction**

The transition of the world's economy from the industrial era to the knowledge economy has reinforced the position of human resources as the most important resource of business organizations because the employees are the bearer of skills, knowledge, innovation, core competence and experience that are useful for organizations to achieve their expected outcomes.

These qualities (resources) that employees possess are measurable in financial and non-financial conditions. The fact that human resource is that factor of production that coordinates other factors of production revealed that it is the biggest organizational resource so far and therefore deserves to be accounted for, this is the position of HRA which is the accounting for investment in employees and the determination of their economic value (Edom et al., 2015; Amahalu, 2017).

Human Resource Accounting (HRA) is defined as the measurement of the cost and worth of human resources in an organization (Mohiuddin & Meher, 2017). It entails the recognition of employees as organizational assets and investing and reporting them accordingly; It refers to the measurement of cost utilized towards acquisition, training and maintenance of employees so that a satisfactory organizational performance can be achieved (Bader, 2017; Diepiriye, 2018; Ananda & Kavitha, 2019). The core assets of the industrial era are plants and machinery and the value of these physical assets as reported in the financial record of an organization as assets suggests the cost at which they are acquired. This implies that the acquisition cost of an organizational resource is an asset, not a mere expense and the same view should hold for the human resources. Human resource accounting demands the capitalization of the human asset because all costs expended on recruiting, selecting, placement, training, development and maintenance of employees are investments whose benefit extends beyond the accounting year that the costs were invested. It also presents the value of human resources in the financial statement (be it internal or external) (Kumar & Awasthi, 2018). In a bid to affirm that human resources are organizational assets, several studies were conducted on cost invested in employees (human resource cost) and organizational performance (Surarchith et al., 2017) which is the results of all the work processes and activities of a business organization measurable either economically or operationally or both (Hashem, 2015 and Sajuyigbe et al., 2020). The need to examine the historical HRA-cost approach and performance of Public workers necessitated this study (Asha, 2012; Ondoro, 2015; Incise, 2018; Tine et al., 2019).

However, it was observed that many studies on HRA were carried out in developed countries and relationships between HRA and organizational performance were established in both the private and public sectors (Bullen & Eyler, 2010; Okeke, 2016; Aquilino et al., 2017) In the African context, many studies on HRA were conducted in the profit-oriented private organizations; this showed a dearth of studies in the Public sector (government workers to be precise), especially in the Nigeria context. Although, evidence of HRA in public universities has been found in Nigeria (Etale et al., 2016). Oluwatobi and Ogunrinola (2011) posited that there existed a positive relationship between human resource investment costs and economic growth in Nigeria. In the same vein, government spending on employees in the education and health sectors though meager was found to be correlated to economic growth (Adetoso et al., 2021) while involvement of state governments in the HRA practice remains an issue of scholarly deliberation. In addition to this, it was found that most authors who studied the HRA cost model focused more on training costs while some studied maintenance costs at times but there is a dearth of studies on acquisition cost; this study therefore examined the effect of acquisition costs on performance. In a bid to broaden the literature on HRA,

this study examined the effect of HRA on the performance of selected employees (professional Accountants and Auditors) of a state government in Nigeria other than those of the education and health sector.

Diepiriye (2018) examines the effect of Human resource costs on the maximization of shareholders' wealth. It was found that acquisition cost showed a positive but insignificant relationship with shareholders' returns in the manufacturing firms sampled. Atoyebe et al., (2021), also examined the relationship between human resource accounting and the performance of Nigerian listed firms and found that a positive relationship existed between a higher number of human resources and organizational efficiency as shown in the multiple regression analysis result. The increase in several employees relates to more cost invested in acquisition costs among other costs, therefore this finding depicts that acquisition costs are positively and significantly related to performance. It was observed that most studies on HRA cost and performance focused on learning costs and the performance of employees in the private sector while the public sector was neglected. The need to broaden the literature on HRA-acquisition cost and performance of Civil service employees necessitated this study. This study evaluated the effect of HRA-cost (acquisition cost) on the performance of government employees as opposed to employees of private organizations mostly studied in literature and also examined the indices of acquisition cost independently such that the effect of each of these indices of acquisition cost (Recruitment, Selection and placement costs) on employee performance was assessed, hence; this was another need for this study (Venus & Ibarra, 2016). The three indices of acquisition costs identified above were independently and collectively analyzed against performance to improve on previous studies. Also, the need to adopt operational indices of performance measurement becomes obvious because the government departments sampled are non-profit-oriented. As a result of this, the operational index of performance (employee commitment) which is thought of as more relevant to the study of acquisition cost and performance was introduced to the study of HRA (Sutanto, 1999; Asha, 2012; Anthony, 2017; Incise, 2018).

The following questions were raised for the study: what is the effect of HRA (Recruitment costs) on the performance of Civil servants in Osun State, Nigeria; what is the extent of influence of HRA (Selection Costs) on employee performance and what is the impact HRA (Placement costs) on the performance of the respondents.

Arising from this, this study examined the effect of HRA (recruitment costs) on the performance of the employees; evaluated the effect of HRA (Selection costs) on employee performance and examined the impact of HRA (Placement costs) on the performance of employees. This study therefore examines the effect of HRA (acquisition costs) on the performance of government workers in Osun State, Nigeria.

## **2.0 Literature Review.**

### **2.1 Conceptual Review**

#### **Human Resource Accounting**

Human resource accounting is a process of accounting for the economic value of employees in the organization, it caters for all investments made on employees that are

not accounted for in conventional accounting practices (Amahalu et al., 2017). Human Resource Accounting refers to the modern way of perceiving employees; It's an accounting system, a method and a technique that is channeled at recognizing the knowledge and abilities of employees in organizations by quantifying their values and financial equivalence towards achieving complete asset reporting useful for decision makers (Akinlade & Adegbie, 2020).

It can also be said that because HRA identifies values, records and presents the cost invested in human resources to management, it is an information system. This implies that the identification of cost invested in employees and its reporting is crucial to HRA. Therefore, the examination of cost invested in employees (acquisition cost in this context) and performance relates to the recognition of those costs as an asset (Okpala & Chidi, 2010; Venus & Corazon, 2016). Discussed below are indices of HRA (acquisition costs):

**Costs of Recruitment:** These are administrative costs, cost of advertisement, payment made to agents and recruiters, including their cost of transportation. Other costs are those incurred for scouting the needed human resources both within and without the organization. Costs of recruitment are those that were incurred in identifying the sources of human resources from the organizational environment, they can be internal or external or both.

**Selection costs:** These refer to the amounts that were spent to determine those who should be employed. These are costs attached to the process of selecting personnel. How sensitive or highly placed the position to be filled appears to determine how cost-intensive the process will be. The method of recruitment can also tell on the cost attached, but generally, the costs attached to this concept are listed below which are; costs of administration, costs of processing applications; cost of material used, cost of conducting interviews, tests and medicals, payment made to consultant and selectors and Salaries (Venus & Corazon, 2016).

**Placement Cost:** These are costs expended on examining the interests, aspirations, abilities, attitudes and personalities of employees concerning the job requirements to position them in areas of work where they can perform best (Akinjare et al., 2019).

### **Organizational Performance**

Organizational performance (OP) can be defined as the difference between actual and standard performance; it is the degree to which an organization meets the expectations of its constituents (Hashem, 2015; Market Business News, 2021).). Organizational performance refers to the result of all work processes. It can be divided into economic performance and operational performance (Da Silver et al., 2021).

**i.) Economic Performance:** This refers to the measurement of organizational performance with indices like sales, market share, shareholders' value and other financial metrics. These indices are commonly used when studying HRA and the performance of profit-oriented firms.

**ii.) Operational Performance:** This refers to the measurement of organizational performance with indices like the firm's social capital, employee competence, customer satisfaction and loyalty, and employees' commitment and other nonfinancial metrics. The operational performance index (employee commitment) was used in this study because employees of nonprofit-oriented organizations were sampled and employee commitment was considered very relevant to them about investments in acquisition.

### **Employees' Commitment**

The common model of Employee Commitment (EC) in literature was the one used by Meyer and Allen (1997) who measure the affective, continuance and normative commitment of employees to their employers in terms of not quitting the organization; this is better regarded as organizational commitment. Employees may not quit an organization but remain uncommitted to work. Employees' know-how of the job is not the same as their commitment to work, therefore, employee commitment was taken to be the measurement of their involvement in the work and their concern for the image of their organization. Employees' commitment to work is the degree of enthusiasm they have toward tasks assigned to them in their workplace (Sutanto, 1999; Anthony, 2017). In a related development, employee development (an offshoot of HRA) was found to be positively and significantly related to employee commitment (Kimberly, 2017; Wegwu & Princewill, 2022).

## **2.2 Theoretical Review**

### **Social Exchange Theory**

Social exchange theory was developed by George Homans in 1958; it viewed the employee and employer relationship from a give-and-take point of view. It explains the possibility of reciprocation between the employer and the employees based on some perceived benefits. This theory states that people treat with fairness those who have treated them fairly to compensate those from whom they have benefitted, it states further that people tend to help those who have helped them and should not injure those they have benefitted from. Since the government and civil servants are an example of an employer-and-employee relationship, an investment in the employees is expected to generate desirable work outcomes among them (Kendra, 2020). Social exchange theory proposes that social behaviour is an exchange process. It suggests that a party will sustain a social exchange if the risk involved is far lower and the benefit is higher. Employers invest for perceived benefit that outweighs the investment and this can motivate employees who perceive the investment on them as highly enriching towards a fulfilling work outcome. Social exchange theory could explain the impact of cost-invested on employees and the work outcome; it is an analysis of social interaction and this constitutes the strength of this theory while dealing with the relationship between costs invested and work outcomes like the study at hand. Although this theory could not suggest the amount of investment needed to generate a particular level of desired workout among employees, it is important for the understanding of employer's investment and employees' performance.

This theory mediates the perception of both parties while revealing that HRA practice and the attitude of employees to work can be explained as a social exchange (Cook et al., 2013).

### **2.3 Empirical Review**

Kashanipour and Farooji (2022) studied the impact of human resource accounting on the financial performance of selected organizations in Southern Tehran. The secondary data gathered was analysed and the result of the multiple regression analysis revealed that profitability exerts a positive and significant effect on HRA. The need to examine HRA and the performance of nonprofit-oriented organizations necessitated this study.

Onyekwelu and Akani (2021) examined Human resource costs and financial performance of quoted companies in Nigeria. Secondary data was used in the study, the OLS multiple regression results revealed that acquisition cost has no significant relationship with the revenue of the firm sampled. The study used the economic index of performance but this study makes use of the operational index of performance as a contribution to the literature

Onyekwelu and Ironkwe (2021) studied human resource accounting and corporate financial performance of quoted insurance companies in Nigeria. The least square regression analysis of the secondary data collected revealed that human accounting disclosure and training costs showed a positive and significant effect on the financial performance of the organizations.

Atoyebi et al., (2021), also examined the relationship between human resource accounting and the performance of Nigerian listed firms. The result from the secondary data analysis revealed that there is a positive relationship between a higher number of human resources and organizational efficiency as shown in the multiple regression analysis. The increase in several employees relates to acquisition cost, therefore this finding depicts that acquisition costs are positively and significantly related to performance. The performance metrics that are commonly used to measure the performance of a profit-oriented organization about HRA are return on asset (ROA), return on Equity (ROE), Return on Capital Employee ROCE, Economic Value Added (EVA) and European Foundation for Quality Model ((EFQM) while relating cash flow to intangible drivers) among others. There have been positive and significant relationships between HRA and these indicators (Nivedita & Georgios, 2021).

Akinjare et al., (2019) studied the impact of HRA on the performance of oil and gas firms in Nigeria. Secondary data was used for the study, the result of OLS Multiple regression revealed that there is a significant positive relationship between human resource cost and organizational Performance. They proxy HRA with learning costs (staff cost and training and development cost) but this study proxies HRA with Acquisition cost to broaden the study of HRA.

Diepiriye (2018) examined the effect of HRA (of cost expended on wages, bonuses, salary & acquisition costs) on shareholder wealth maximization of manufacturing firms. The result of the OLS multiple regression analysis conducted on the secondary data

collected revealed that HRA variables exert a positive and insignificant effect on the return on investment of the sampled firm. The study used the economic index of performance but this study makes use of the operational index of performance as a contribution to literature.

Kumar and Priyanka (2018) studied the relationship between HRA and organizational performance. The regression analysis of the secondary data gathered showed that HRA showed a positive and significant relationship with the financial performance of the organization sample. The study did not cater for organizational performance indicators that can capture the Civil servant properly as this study has done.

Ofurum and Adeola (2018) also examine HRA and organizational profitability in selected quoted firms in Nigeria. Secondary data was used for the study, the result of the Pearson Product moment correlation coefficient revealed that there is no significant relationship between HRA and the profitability of the selected quoted firms.

Venus and Corazon (2016), examined the awareness of the Human Resource Accounting Practices and Costing (HRAC) of selected companies in Carmelray Industrial Park Calamba City. Primary data was used for the study. The Human Resource Accounting Cost Approach was used. The results revealed that there is a low level of awareness of HRA among the companies sampled. These authors identified acquisition costs, training & development costs and welfare costs and their indices while the awareness of employees was studied. Based on this cost model, the current study examined acquisition costs and operational performance as a contribution to the literature on HRA. Edom et al. (2015) studied the impact of HRA on the profitability of a Bank in the South Western Nigeria. The OLS multiple regression analysis carried out on the secondary data collected revealed that learning cost impacts significantly and positively on the profitability. The result revealed that learning cost impacts significantly and positively on the profitability. Arising from the contradiction between this result and Ofurum and Adeola (2018), this study examined HRA and employee performance operationally instead of the economic measurement used by these authors. Therefore, the proxy of HRA with acquisition costs as done in this study is a contribution to the study of HRA.

Arising from the review of studies above, the following hypotheses were raised for the study:

H<sub>01</sub>: HRA (recruitment costs) has no significant effect on the performance of the employees

H<sub>02</sub>: HRA (Selection costs) exert no significant impact on employee performance.

H<sub>03</sub> HRA (Placement costs) has no significant impact on the performance of employees.

### **3.0 Methodology**

Experimental research was used for the study because it examined both cause and effect. The need to draw inferences from past occurrences makes the Historical research approach (which examines the importance of past events on present outcomes) fitting for the study. The focus of the study is to know how HRA practice affected the services

rendered by the employees of the state government in Osun State. These staff (professional accountants) were selected due to the capital-intensive nature of their training and the huge commitment required of their services. The perception of these employees on the acquisition costs invested in them and the performance of their organization was harvested in both the Accountant-General and Auditor-General office of the Osun State government resulting in the sample size of 310 respondents; they were selected based on the relevance of their discipline to the study. Civil servants in Osun State were selected based on the reports of the commitment of the states to their human asset development (Nigerian News Direct, 2022). The Aggregate Cost Model was used for the human resource cost valuation and not the individual approach in line with Onyekwelu and Ironkwe (2021). A closed-ended structured questionnaire rated on 5 5-point Likert Scale was used to sample the opinion of the respondents from strongly agree to strongly disagree. Descriptive statistics like tables and percentages and inferential statistical tools were used for data analysis in this study. Ordinary Least Square Regression analysis (OLS) was used to analyze the effect of indices of acquisition cost on employees' performance. Multicollinearity, homogeneity and heterogeneity of the dataset were also tested.

### 3.1 Model Specification

The model adopted for this study was that of Venus and Corazon (2016) but was modified to suit this study. The model 1 was used to measure the effects of HRA cost on employee performance.

$$Y = f(RC, SC, PC) \dots\dots\dots(1)$$

Y (Dependent Variable) is the Employees Performance (EP), measured via Employee Commitment (EC). The denotation for independent variables is human resource accounting measured proxy with acquisition cost; the indices of acquisition costs are: Recruitment Costs (RC), Selection Costs (SC) and Placement Costs (PC)), and f represents the function of the notations. It can therefore be stated specifically as a parametric regression equation based on the functional effect in equation 1:

$$EP = B_0 + B_1 RC + B_2 SC + B_3 PC + \mu \dots\dots\dots(2)$$

$$\sum_{i=1}^n EP = B_0 + B_1 \sum RC + B_2 \sum SC + B_3 \sum PC + \mu \dots\dots\dots(3)$$

Transforming equation (3) to a natural logarithm, it changed to:

$$\sum_{n=1}^n \text{Log EP dimensions} = B_0 + B_1 \sum_{n=1}^n \text{Log RC} + B_2 \sum_{n=1}^n \text{Log SC} + B_3 \sum_{n=1}^n \text{Log PC} + \mu \dots\dots\dots(4)$$

X – Independent variable ()

RC- Recruitment Costs

SC- Selection Costs

PC- Placement Costs

Y – Dependent variable (Employee Commitment (EC))

B<sub>0</sub> – is the constant of the model

B<sub>1-3</sub> coefficient of the explanatory variables

μ – is the stochastic error term



#### 4.0 Research Findings, Implication and Discussion of Results

The descriptive and inferential statistics are presented below.

**Table 1 Descriptive Statistics of Study Variables**

	Minimum	Maximum	Mean	Standard Deviation	Skewness	Kurtosis
Selection Cost	1.000	5.000	3.4219	.98705	-.558	-.102
Recruitment Cost	1.000	5.000	3.6719	.33325	.484	.575
Placement Cost	1.000	5.000	3.3696	1.04186	-.369	-.357
Eager to Work	1.000	5.000	3.8588	.87150	-.693	.329
TR. Completion	1.000	5.000	3.5866	.96908	-.588	.102
Extra role	1.000	5.000	3.6181	.84805	-.551	.231
AC. Cost	1.000	5.000	2.9570	1.20542	.408	-.773
Benefits	1.000	5.000	2.9249	1.10836	.361	-.512
Valid No						
258						

**Source: Author's Computation, 2024**

Table 1 measures the mean, minimum maximum and standard deviation including skewness and kurtosis. The result of the descriptive statistics revealed that the values of standard deviations are closer to their respective mean values, this implies that the data is homogeneous while the values for skewness and kurtosis are within the acceptable range showing that the data is symmetrical.

#### 4.1 Pilot Survey Using Test-Retest Analysis of the Research Instrument

Table 2 shows the reliability or consistency of the research instrument for the study using Test-Retest Reliability Statistics. This was done to ascertain the internal consistency of the questionnaire. The correlation coefficient ranges from -1 to +1; the values above 0.5 are satisfactory (Segal & Coolidge, 2018).

**Table 2 Result of Test-Retest Analysis of the Research Instrument**

Questions	Correlation (r)
Acquisition cost	0.680
Employee commitment	0.883

**Source: Author's Computation, 2024**

The result of the test-retest analysis in Table 3 above showed the values of consistency of the construct used for the study which range from 0.680 to 0.883 for human resource cost and employee commitment, they are therefore considered acceptable because they are above 0.5.

## 4.2 Effect of Indices of Acquisition Cost on Employee Commitment

**Table 3 Analysis of the Effect of Acquisition Cost on Employee Commitment**

Source	SS	df	MS			
Model	.375188651	3	.125062884			
Residual	4.45869898	246	.018124793			
Total	4.83388763	249	.019413203			
Reg Commitment Selection Cost Recruitment Cost Placement Cost				Number of obs =	258	
				Prob > F	= 0.0002	
				R-squared	= 0.3776	
				Adj R-squared	= 0.3664	
				Root MSE	= .13463	
Employee Commitment	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Selection Cost	.0121788	.0097861	1.24	0.214	-.0070964	.031454
Recruitment Cost	.0065468	.0041141	1.59	0.113	-.0015566	.0146502
Placement Cost	.252339	.009179	2.75	0.006	.0071545	.0433132
_Cons	.5738126	.0354064	16.21	0.000	.5040742	.643551

**Source: Author's Computation, 2024**

Table 3 shows the analysis of the effect of indices of acquisition costs on employee commitment. It was revealed that selection cost has no significant effect on employee commitment ( $\beta = .0121788$  and the P value = 0.214). Recruitment cost did not have a significant effect on employee commitment ( $\beta = .065468$ ,  $P = 0.113$ ) while it was found that placement cost has a positive and significant effect on the level of commitment of the employees ( $\beta = .5738126$ ,  $P = 0.006$ ) at 1% level of significance. The R-square of 0.3776 implied that indices of acquisition cost accounted for 38% of changes in employees' level of commitment.

According to Onyekwelu and Akani (2021), the cost associated with employing/hiring employees does not have a significant effect on performance. The result of the effect of indices of acquisition cost (independently) on employee commitment below showed that only placement cost has a positive and significant effect on performance (employee commitment). The R-square of 38% means that investment in the placement of employees is a predictor of their commitment to the organization sampled. The insignificant effect of recruitment and selection cost on performance might be because it does not affect employees' personality like the placement cost. Therefore, this study agreed with Alao et al. (2023) that the cost associated with employing/hiring employees has a significant effect on performance.

Based on the results of this study, hypotheses one and two were accepted while hypothesis three was rejected.

**Table 4 Effect of Acquisition Cost on Employee Commitment**

Reg Commitment Acquisition cost			
Source	SS	df	MS
.....			
Prob > F	= 0.0000		
R-squared	= 0.3963		
Adj R-squared	= 0.3927		

**Source: Author`s Computation, 2024**

Table 4 above shows the analysis of the effect of acquisition costs on employee commitment. The R-square of 0.3963 implied that indices of acquisition cost accounted for about 40% changes in employees' level of commitment. This R square is higher in comparison to that of indices of acquisition cost independently analyzed against employee commitment which suggests that collective investment in employee acquisition has higher predictive power over their commitment. Therefore, hypothesis two which states that the Acquisition Cost of human assets does not affect their commitment to work is therefore rejected and the alternate hypothesis is accepted because it was found that cost investment in employee acquisition is important to organizational performance. According to Onyekwelu and Akani (2021), the cost associated with employing/hiring employees does not have a significant effect on performance. As opposed to this position, this study found that acquisition cost contributes about 40% to changes in the level of employee commitment in the sampled organization. Also, this finding is inconsistent with Diepiriye (2018) that acquisition cost does have a positive but insignificant relationship with organizational performance. The position of this study beckons to the fact that acquisition comes before utilization which is true for all cases of organizational asset. This study however agreed with Atoyebi et al. (2021), Raghavendra (2022) and Alao et al. (2023) that the acquisition cost of human assets has a significant effect on performance.

## 5.0 Conclusion and Recommendations

The study examined the effect of Human Resource Accounting on the performance of Civil Service employees in Osun State Nigeria. The model by Venus and Corazon (2016) was found useful. Arising from the findings of this study, selection cost has no significant effect on employee commitment ( $\beta = .0121788$  and the P value = 0.214).

The study concluded that recruitment cost did not have a significant effect on employee commitment and this is in line with Onyekwelu and Akani (2021) but contradicts Diepiriye (2018). The outcome of this study could have been because of the operational index used. Also, Diepiriye (2018) also found that selection cost has a positive but insignificant effect on performance; this agrees with the findings of this study but contradicts Atoyebi et al. (2021). Also, this study found that placement cost has a positive and significant effect on performance and this agreed with Akinjare et al. (2019) but contradicts Onyekwelu and Akani (2021). The cause of this variation of findings could depend on what was measured but the introduction of operation indices of performance make this study different. Arising from these empirical findings, we

concluded that HRA-Acquisition costs affect the performance of Civil Service employees positively and significantly.

The study recommends that there should be an adequate investment in absorbing requisite employees into the organizations to enhance performance and employers should endeavor to invest in adequate placement of employees to increase performance.

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