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The Impact of Financial and Economic Indicators on Extent of Human Resource Information Disclosure (A Study on Listed Companies in Tehran Stock Exchange-Iran)

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ABSTRACT

Background: With a number of disclosure studies, there is clearly an important issue relating to the measurement of voluntary disclosure levels on human resource. **Objective:** Commentary on disclosure measurements from the observation of the exiting disclosure literature point out that, the disclosure index is a common measure of disclosure levels. **Results:** Financial analysts, investors and valuers all use information in the financial statements of companies to make judgments about future company performance. Despite the obvious importance of this role, there are claims that the relevance of financial and economic indicators is declining, although others suggest that the empirical evidence is mixed on this question. **Conclusion:** However, irrespective of the empirical debate on the relative decline (or not) in the value of financial and economic reporting there have been calls from a number of individuals and groups for greater disclosure of nonfinancial information by corporations. So, in this study the researcher has tried to find out the association between some financial and economic variables with HR information disclosure. The results indicate the economic and financial performance of company appears to be statistically significant variable in explaining the variability of HRA disclosure practices of listed entities in TSE.

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INTRODUCTION

It is clear that the disclosure principle, as one of the accounting principles, expresses all important and relevant facts concerned with events and activities of trade unit. Disclosure is a comprehensive word in accounting and is known as a disclosure principle which includes rather whole process of financial reporting and affects whole financial aspects [13]. Without pressures from outside the organization and legal and professional requirements, however, the trade units don't tend to reveal financial data adequately. So the issue of information disclosure in annual reports has obtained a specific importance especially in prosperous years of researches based on market reaction against accounting information. The extent of information disclosure in the annual reports of companies depends on factors like government pressures, legal and professional requirements and the characteristics of the company itself. Fan and Wong stated that transparency and disclosure are the basic elements of corporate governance. Higher transparency and disclosure allow corporate stakeholders to gain insight into how a company is run and governed. Additionally, accurate and timely information disclosure can boost investors' confidence and create market efficiencies [14].

In this regard, human resource information disclosure can enhance the company's transparency. Human resources as valuable assets of organization are the energies, skills, talents and knowledge of people which are, or which potentially can be applied to the production of goods or rendering useful services. HRA is the process of identifying and measuring data about human resources and communicating this information to interested parties. Human resource accounting is not a new issue in economics. Economists consider human capital as a production factor, and they explore different ways of measuring its investment in education, health, and other areas. Research into true human resource accounting began in the 1960s by Rensis Likert [4]. Likert defends long-term planning by strong pressure on human resources' qualitative variables, resulting in greater benefits in

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the long run. The basic objective underlying human resource accounting is to facilitate the effective and efficient management of human resources [38].

Moreover, the development of human resource accounting is necessary to provide a firm with accurate financial reports to guide its decisions [39]. Tom Stewart supports the importance of external reporting of intellectual capital. As a result, the external financial and non-financial reporting aspects of human resource accounting can play significant role to facilitate the proper utilization of human resources in an organization. In the developed countries, it is very common phenomenon that companies have formal HRA reporting aspect in their annual report. But, in the developing countries like Iran, human resource reporting aspect is very new concept and it is still in naive stage. Though this is not mandatory for the companies in Iran to disclose HRA information, they are making some HRA disclosure voluntarily. Hence, it can be said the most important purpose of this study was an attempt to find the pattern of HRA information disclosure in the listed companies in TSE based on viewpoints of respondents and annual report study and also investigation the relationship between corporate characteristics and human resource accounting information disclosure level in the annual reports. In this chapter, the researcher states conclusion and suggestions of the research.

1.1. Voluntary Disclosure:

Voluntary disclosures themselves have also been proved to have importance to capital markets as evidence from a number of empirical studies in this area. Benefits of disclosures to the company are well - documented in the literature, companies making voluntary disclosures can gain perceived market benefits in the form of improved stock liquidity, reduced cost of capital, and increased information intermediation [21]. and increased stock liquidity and investor attractiveness [37]. A number of empirical studies support these assertions. Welker finds that firm with a well-regarded disclosure policy have lower bid-ask spreads, which are a proxy for the information asymmetry component of the cost of capital; Hutton, and Palepu find that firms with increased in stock liquidity and attract more institutional investors[41,21]. Verrecchia also find that firms with a higher disclosure level have lower bid-ask spreads and higher trading volumes, thus lowering the cost of issuing capital[10]. Botosan directly observes firms cost of capital, and documents and relationships between firms disclosure level and the cost of capital, finding that, for firms with a low disclosures following, there is an association between greater disclosure and the lower of capita[2]. Botosan and Plumlee extend this study to include firms with high analyst following, noting the same negative association between the extends of disclosures observes from annual reports and cost of capital[3].

The extent of voluntary disclosure varies according to firm characteristics, including firm size, listing status, industry environment and firm performance. In order to measure the extent of disclosure levels, the elements that could potentially affect the level of disclosures must be considered. Several prior studies examine the determinants of cross-sectional variations in voluntary disclosure levels. Lang and Lundholm use analyst rating of firms disclosures as a proxy for disclosure quality, and examine the cross-sectional variations in analyst published ratings of firm's disclosure practices[30]. They find significant evidence of a positive relation between disclosure ratings and firm size, current performance, and new security issuance. They find that disclosure scores increase from size increases, which are consistent with much of the existing research on voluntary disclosure. Also, disclosure ratings are higher for firms that perform well, firms with a weaker relationship between annual stock returns and earnings, and firms that issue securities. The relationship between the disclosure scores and firm characteristics also varies across sources of disclosures, with investor relations most responsive to firm characteristics in their study. This is consistent with the fact that disclosures in annual reports and other publications are infrequently varied, while investor relations are the most flexible channels over short time periods. In an investigations of factors influencing voluntary annual report disclosure by multinational companies Meek, Roberts, and Gray, identify a number of variables viz firm size, industry, leverage, profitability, country, and international listing status, that might be associated with disclosure levels, and present evidence to support a relationships with company size, country and listing status. Similarly, Robb, Single and Zarazeski find that large companies tend to provide more disclosures. In addition, they observe some industry effects on the level of disclosures, with firms in the chemicals and construction industries providing higher levels of disclosure content [37,42].

Beattie, McInnes and Fearnley note that information disclosed by a company could be part of a very large topic area; this necessities disclosure studied having a narrower focus on to specific area or subsets of information disclosure (e.g., forward-looking, historical, or background information, financial or nonfinancial information; environmental disclosures, accounting figures or narratives). Although, all the information is essential to users decision-making collectively, it is likely that the decisions-relevant of information varies by information types. Several studies shows that different types of particular information items do not create equal value- relevance to users' decision-making processes[23,12,37].

There have been two approaches to the examination of the information content of disclosures. The study of market reaction is one such method. An inference is made, implying that the content of disclosures is useful, when it has an effect on stock performance (share price and / or returns). Studies including Lev, Lev and

Zarowin, Francis and Schipper and Vincent have shown that corporate information disclosures have an impact on stock performance, providing evidence of an effect which implies that the disclosures is useful and has information content [31,15]. The other methods, content analysis, investigate the information contained in disclosures and attempts to observe the intrinsic value (such as predictive ability) of information. Past research on thematic studies [26, 45], demonstrates that the content of disclosures are investigated and categorized into other variables such as words, paragraphs, or themes. Specifically, such variables are analyzed and examined with other variables of interest such as firm performance or accounting numbers. Considering the syntactic aspects of the narratives, the study of readability also gives rise to an exploration of a possible association between readability level and other variables of interest. In all, content analysis enables researchers to draw conclusions from the content itself, not from reactions from the stock market.

With a number of disclosure studies, there is clearly an important issue relating to the measurement of voluntary disclosure levels. Commentary on disclosure measurements from the observation of the exiting disclosure literature [34,21,1], point out that, the disclosure index is a common measure of disclosure levels. The utilization of a disclosure index mainly involves the process of self construction of the index. The self developed indices may be appropriate for the purpose of a researcher in his/he own work, but the development and application of a disclosure index required subjective assessment and involves several tasks. For example, in the work by Botosan the disclosure index was developed based on an observation of only one industry and derived from annual reports and the only source [2]. Thus it is too restricted to generalize.

4. Research Hypotheses:

Hypothesis 1: Financial performance of company affect on the human resource information disclosure level.

Hypothesis 2: Economic performance of company affect on the human resource information disclosure level.

5. Statistical Population:

The statistical population of this research includes all listed companies in Teheran Stock Exchange since 2006, because the most useful information about Persian companies is available in this organization and they are all observed by Tehran Stock Exchange, so more controlling rules are applied on them compared to other companies. The reporting practice of the selected companies analyzed as of March 21, 2006 - 2009.

6. Sample Design:

In this study the researcher has considered the following circumstances for selection sample size: 1) the sample companies were included companies that have not losses. 2) end of the financial year of sample companies were March 21. With regarding to circumstances mentioned above the total number of companies listed on the Tehran Stock Exchange (TSE) are 309, which 255 manufacturing sector and 54 are services sector. With regarding to data available for this study, the researcher has chosen simple random sampling method and randomly 145 listed companies in Tehran Stock Exchange have been considered during 2006 - 2009.

Table 1.18.2: Sample Profile in Terms of Companies.

Sector	Total Number	Percentage (%)	Number of Unit	Percentage (%)
Manufacturing	255	82 %	109	75.2 %
Services	54	18 %	36	24.8 %
Total	309	100 %	145	100 %

MATERIALS AND METHODS

The potential limitation of the measurement of disclosures is recognized in this paper; as a result, an alternative measurement tool, content analysis is employed. Content analysis is applied to measure the degree and quality of disclosures made in company announcements and news releases. In particular this method is prevalently employed with narrative accounting information Jones and Shoemaker. This instrument is considered directly applicable to the aims of this paper and so would be useful in facilitating an examination of the content of disclosures.

Until now, much of the extent research in voluntary disclosures relied upon the use of annual reports as the main or only source of information. Annual reports are important because they are the most comprehensive presentation of financial reporting a company provides to its stock holders, and would be among the most available and easily accessible sources of voluntary disclosures [34, 18]. However, the usefulness of annual reports has come under criticism for years, especially that they no longer capture and communicate material developments in a timely manner to meet market information needs [51]. The research methodology of the present study involves the use of secondary data. Annual reports were chosen as the source documents because they are regularly produced and present a historical account of the concerns of a firm. The study uses the SPSS software to analyze the data at significant level ($\alpha = 0.5$). For testing the hypotheses to and to provide evidence

of the impact of financial and economic performance on HRA disclosure of companies in TSE, this study used the multiple regression technique.

8. Research Variables:

8.1. Dependent variable:

In the present study Human Resource accounting Information Disclosure Index (HRAIDI) is as dependent variable. In this case, a disclosure index was constructed to measure the level of financial and non-financial disclosure on human resource by listed firms. The literature on the use of indexes is divided between unweighted and weighted indexes. Regarding the unweighted index, dichotomous scores are used. "0" is given for non-disclosure and "1" is given for a disclosure item. The unweighted scoring approach assumes that each item of disclosure is equally important. The scoring rewards both quantitative and qualitative information. Consistent with most previous disclosure studies, the researcher have been used the dichotomous scoring where "1" is assigned when an item is disclosed and "0" otherwise. The extent of human resource disclosure over all 40 items was measured by a human resource accounting disclosure index (HRADI) calculated as follows:

$$TD = \sum_{i=1}^n d_i$$

Where:

TD: Total disclosure

$d = 1$ if the item d_i is disclosed

$d = 0$ if the item d_i is not disclosed

$n =$ Number of items = 40

Following relationship is used for calculating the disclosure index in sample companies:

$$HRAIDI = \frac{\sum_{i=1}^n d_i}{\sum_{i=1}^m H_i} * 100 = \frac{\text{Total disclosure score of a company}}{\text{Maximum Possible Score Obtainable}} * 100$$

So that $0 \leq HRAIDI \leq 1$.

Additionally, disclosure indexes based on the human resources non-financial (28 items) and financial information (12 items) was calculated.

8.2. Independent variables:

8.2.1. Financial Performance:

The financial performance variable is also expected to influence the level of human resource accounting disclosure. Some of the previous studies found that there is a relationship between human resource accounting disclosure and the financial performance. A positive association between financial performance and human resource reporting was found by some studies such as Graves and [19,48]. Financial performance is usually measured by market and accounting-based variables. The accounting measures were chosen because they facilitate evaluation of managerial policies on human resource accounting information disclosure [48,23]. Accounting-based variables were preferred for their greater explanatory or predictive value concerning a firm's human resource accounting disclosures vis-a-vis using market-based variables [23].

In the choice of market and accounting-variables to proxy financial performance, guidance was provided by the literature, mainly the work of Freedman and Jaggi. The foregoing discussions lead to development of the following hypothesis[16]:

Hypothesis 1: There is significant relationship between human resource accounting information disclosure index and financial performance of company.

In this research, in order to measure the financial performance the following proxies based on accounting and market variables has been applied and their effect on disclosure index is investigated.

8.2.1.1. Return On Equity (ROE):

For publicly traded companies, the relationship of earnings to equity or return on equity is of Prime importance since management must provide a return for the money invested by shareholders. ROE is a measure of how well management has used the capital invested by shareholders. It tells us the percent returned for each dollar (or other monetary unit) invested by shareholders. Return on Equity is calculated by dividing Net Income by Average Shareholders' Equity. Return on Equity has three ratio components. The three ratios that make up ROE are[8,48]:

- ❖ Profit Margin = Net Income / Sales
- ❖ Asset Turnover = Sales / Assets
- ❖ Financial Leverage = Assets / Equity

ROE is expressed as a percentage and calculated as:

$$ROE = \frac{\text{Net Income}}{\text{Sales}} * \frac{\text{Sales}}{\text{Assets}} * \frac{\text{Assets}}{\text{Equity}} * 100 = \frac{\text{Net Income}}{\text{Total owner's equity}} * 100$$

8.2.1.2. Return On Sale (ROS):

A ratio widely used to evaluate a company's operational efficiency. ROS is also known as a firm's "operating profit margin". This measure is helpful to management, providing insight into how much profit is being produced per dollar of sales. As with many ratios, it is best to compare a company's ROS over time to look for trends, and compare it to other companies in the industry. An increasing ROS indicates the company is growing more efficient, while a decreasing ROS could signal looming financial troubles. It is calculated using this formula:

$$\text{ROS} = \frac{\text{Net Income}}{\text{Total Sales}}$$

8.2.1.3. Earnings Per Share (EPS):

Growth in earnings is often monitored with Earnings per Share (EPS). The EPS expresses the earnings of a company on a "per share" basis. A high EPS in comparison to other competing firms is desirable [28]. Earnings per share serves as an indicator of a company's profitability. The EPS is calculated as:

$$\text{EPS} = \frac{\text{Earnings Available to Common Shareholders}}{\text{Number of Common Shares Outstanding}}$$

8.2.1.4. Price - Earnings Ratio (P/E):

The relationship of the price of the stock in relation to EPS is expressed as the Price to Earnings Ratio or P/E Ratio. Investors often refer to the P/E Ratio as a rough indicator of value for a company. A high P/E Ratio would imply that investors are very optimistic about the future of the company since the price (which reflects market value) is selling for well above current earnings. A low P/E Ratio would imply that investors view the company's future as poor and thus, the price the company sells for is relatively low when compared to its earnings [35]. The P/E ratio is calculated as follows:

$$\text{P/E} = \frac{\text{Price per share}}{\text{Earning per share}}$$

8.2.1.5. Market-to-Book Value Ratio (MV/BV):

A ratio used to find the value of a company by comparing the market value of a firm to its book value. Market value is determined in the stock market through its market capitalization. Book value is calculated by looking at the firm's historical cost, or accounting value. Big companies and small companies' assets differences can be significant when using this method of calculation. Therefore, in order to reduce the impact of the size in company, the researcher used the Price to book ratio (MV/BV) as the measure to calculate the companies' true value. When the market price is higher than book price (MV/BV>1) it shows that the company has off-the-book intangible assets. If the market price is lower than book price (MV/BV<1), it shows that the company has off-the-books debt. If the two prices equivalent, the company is have the same value in the market and in book, and it does not have any off-the-books intangible assets and liabilities [53]. It is calculated using this Formula:

$$\text{MV/BV} = \frac{\text{Market value of firm}}{\text{Book value of firm}}$$

8.3. Economic Performance:

Stakeholder theory argues that a company's decision to disclose information is affected by its economic performance. Higher profitability motivates the management to disclose greater information since it increases investors' loyalty to the corporation that eventually increases management's compensation. Conversely, entities with poor economic performance are less likely to have financial ability to disclose more information [49,37]. Legitimacy theory suggests higher profitability increases entity visibility [54]. consequently, the entities receive greater demand from the society to disclose more information to obtain approval for their continuing activities. Past studies results are mixed. Some studies support a positive association between corporate profitability and the level of disclosure whereas others found no significant correlation [20,43].

A firm's profitability is often measured by its return on assets [8]. Empirical results provide mixed evidence between profitability measures and the extent of disclosure. For example, Singhvi and Desai found that higher profitability might persuade management to supply more information to illustrate its ability to maximize the shareholders' value and to increase its managerial compensation[44]. Similarly, management of a profitable company may be more willing to disclose more information to the public to signal positive effects of its performance. In contrast, low profitability may force the management to disclose less information [40]. Lang and Lundholm stated that the link between the performance and disclosure is rather unclear and, additionally[30], McNally *et al.* found no link between profitability measures and the extent of voluntary disclosure. All these arguments lead to the second hypothesis of this study[36]:

Hypothesis 2: There is significant relationship between human resource accounting information disclosure index and economic performance of company.

In present research to answer the hypothesis, the researcher has considered the Return on Asset (ROA), Net profit growth (NPG) and Tobin's q ratio (TQ) as proxies of economic performance of company.

8.3.1. Return on Asset (ROA):

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment". So, it measures the net income returned on each dollar of assets. Higher rates of return are desirable [27].

Return on Asset has two ratio components. The two ratios that make up ROA are:

❖ Profit Margin = Net Income / Sales

❖ Asset Turnover = Sales / Assets

ROA measured by return on assets equal to net profit at fiscal year-end divided by total assets. Return on Assets is calculated as follows:

$$ROA = \frac{\text{Net Income}}{\text{Sales}} * \frac{\text{Sales}}{\text{Assets}} * 100 = \frac{\text{Net Income}}{\text{Total Assets}} * 100$$

8.3.2. Net Profit Growth (NPG):

Growth of net profit is as a performance measure that includes difference between value of net income in previous year and net income in current year divided to net income in current year.

$$NPG = \frac{NP_{it} - NP_{it-1}}{NP_{it-1}}$$

Where:

$NP_{G_{it}}$: Net profit growth of company i in year t

NP_{it} : Net profit of company i in year t

NP_{it-1} : Net profit of company i in year t-1

8.3.3. Tobin's Q Ratio (TQ):

The Q Theory is a theory of investment behavior developed by the US economist James Tobin for calculating of economic performance. Q measured as the market value of common equity plus the book value of long-term debt and current liabilities, all divided by the book value of total assets at fiscal year end.

$$TQ = \frac{\text{Book value of debt} + \text{Market value of owner's equity}}{\text{Book value of assets}}$$

9. A Study on the Hra Information Disclosure Items Based on Annual Reports:

This process involved checking the annual reports of each company against the importance-adjusted relative disclosure items on the checklist. The total number of items for each company sample is disclosed. The actual disclosure of companies is reported in Table 5.19. The HRAID of companies is computed as the ratio of the absolute disclosure score to the maximum possible disclosure score [44,25]. The maximum possible disclosure score is the total number of items that the company disclosed in its annual report. The items considered irrelevant to the companies will not be disclosed.

As per the table 9.1 it shows that "Number of employees" got the highest rank 1st among both manufacturing & services sectors. "Employee participation in decision making" got the least rank. Approximately 56.2% of the human resource disclosures were "Qualification of employees" and "Training programmes" made by the firm, like in the case.

Table 1: HRA Information Disclosure Mean for Each Item in the Sample.

No.	Human Resource Accounting Information Disclosure Items	Manufacturing Sector		Services Sector		Total Companies	
(A)	<i>Non - Financial Information Disclosure of Human Resource Accounting</i>	(109)		(36)		(145)	
		<i>N</i>	<i>Mean</i>	<i>N</i>	<i>Mean</i>	<i>N</i>	<i>Mean</i>
1	Number of company employees	105	.96	30	.83	135	.93
2	Mean employees age	57	.52	18	.50	75	.52
3	Employees distribution by gender	94	.86	29	.81	123	.85
4	Employees distribution by line-of- business	65	.60	3	.08	68	.47
5	Number of full- time or permanent employees	87	.80	27	.75	114	.79
6	Number of part time or temporary employees	89	.82	25	.69	114	.79
7	Number of employees by education level	67	.61	22	.61	89	.61
8	Average years of service with the corporation	22	.20	8	.22	30	.21
9	Reasons for changes in employee numbers or categories	10	.09	0	.00	10	.06
10	Existence of staff training plans	78	.72	9	.25	87	.60
11	Time in training	59	.54	12	.33	71	.49
12	Nature of training	59	.54	10	.28	69	.48

13	Policy regarding training	45	.41	10	.28	55	.38
14	Categories of employees undergoing training	26	.24	3	.08	29	.20
15	Number of employees trained	45	.41	9	.25	54	.37
16	Statement of strategy and objectives related to HR	13	.12	3	.08	16	.11
17	Policies related to HR development	9	.08	7	.19	16	.11
18	Future plan for HR development	11	.10	3	.08	14	.09
19	Employee participation in decision making	1	.01	0	.00	0	.00
20	Prospect of Corporation - Increase (reduce) employees	9	.08	2	.05	11	.08
21	Prospect of Corporation - Increase (reduce) departments	9	.08	2	.06	11	.08
22	Industrial labor environment / Industrial relations	12	.11	1	.03	13	.12
23	Health and Safety in the work place	31	.28	9	.25	40	.28
24	Labor / Workers' unions	0	.00	0	.00	0	.00
25	IT – equipment for work support	34	.31	9	.25	43	.30
26	Internal promotion plans	9	.08	3	.08	12	.08
27	Employment report	6	.05	0	.00	6	.05
28	Fringe benefits for employees (Medical provision, Housing & living allowance, Accident & health / life insurance, Emergency funds, Welfare packages)	10	.09	1	.03	10	.07
Average Total Score in Percentage for Non-Financial Items		34.36%		25.97%		34.65%	
(B)	Financial Information Disclosure of Human Resource Accounting	Manufacturing		Services		Total	
		N	Mean	N	Mean	N	Mean
29	Retirement benefits	50	.46	10	.28	60	.41
30	Productivity measurement (Revenue per employee, Operating cost per employee, etc...)	9	.08	1	.03	10	.07
31	Superannuation fund	50	.45	12	.33	62	.43
32	Loans to employees	63	.58	14	.39	77	.53
33	Awards/ Reward given for good performance	52	.48	3	.08	55	.38
34	Managerial remuneration / expense	58	.53	20	.56	78	.54
35	Safety & health costs of employees	14	.13	2	.05	16	.11
36	Ex-gratia payments to employees	33	.30	6	.17	39	.27
37	Employees Salaries and wages	80	.73	26	.72	106	.73
38	Employees recruitment and selection cost	3	.03	0	.00	3	.02
39	Amount spent on training	82	.75	25	.69	107	.74
40	Human resource development cost	14	.13	1	.03	15	.10
Average Total Score in Percentage for Financial Items		38.45%		27.07%		33.98%	
Average Total Score in Percentage for Whole Items		36.8%		26.1%		34.1%	

Source: Computed by the author using content analysis from annual reports

The study of the table 1 also shows that the amount of Non-Financial Information Disclosure of Human Resources Accounting in sample companies equals to 33.65%. This amount in manufacturing sector equals to 34.36% and in Service sector is 25.97%.

Moreover, in the amount of Financial Information Disclosure of Human Resources Accounting we can observe that the amount of disclosure in total companies is 35.01% and in the two groups it is 27.07% and 38.45% respectively. The obtained results of the study of both groups of financial and non-financial information indicate that the proportion of financial disclosure of human resources is slightly higher than non-financial information.

10. Descriptive Statistics of the Aggregate Disclosure Index:

It is noticeable from the table 2 that mean score of the HR disclosure items is very ordinary (34.1%). The range of the HR disclosure is from 68.1% to 8.5% with standard deviation 0.163. The result indicates that none of the companies disclose all the human resource accounting information items determined in this study. That is, no company has a HRAID of 100%. Moreover, 10 companies possess HRAID 8% -15% that reveals their low level of human resource accounting information disclosure.

Table 10.2: Descriptive Statistics of the HRA Information Disclosure Index.

Sector	Minimum	Maximum	Mean	Std. Deviation
Manufacturing	0.100	0.681	0.3683	.1663811
Services	0.085	0.600	0.2618	.1248230
Total Companies	0.085	0.681	0.3419	.1633425

11. Hypotheses Testing:

Hypothesis 1:

To test hypothesis 1, multiple regression analysis (Enter Method) were used and tabulated in tables 3 –4 and analyzed subsequently. In this case, to analyze the association between the dependent and independent variables, a correlation analysis is undertaken and the results are presented in tables mentioned above. The results present that HRADI positively and significantly correlated with measures of performance like ROE, ROS, EPS, P/E and

Market value to Book value ratio. The financial variables tend to have the strongest correlations with the human resource disclosure index.

Additionally, some financial performance measures are significantly positively correlated with each other and ROE and ROS have the strongest relationships. So we conclude that ROE, ROS, EPS, P/E and MV/BV have positive impact on disclosure scored. So hypothesis 1 is accepted to the extent of HRA information disclosure. The model summary indicates that correlation coefficient (R) equals 0.556 and $R^2=0.309$. It means that financial variables are approximately strong predictors for extent of human resource disclosure.

Table 3:

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.188	5	.238	12.443	.000 ^a
	Residual	2.654	139	.019		
	Total	3.842	144			
a. Predictors: (Constant), Market to Book Value Ratio, Price to Earning, Earning Per Share, Return on Equity, Return on Sale						
b. Dependent Variable: Human Resource Disclosure Level						

Table 4:

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.244	.018		13.649	.000
	Return on Equity	.056	.022	.413	2.565	.011
	Return on Sale	.062	.031	.405	2.000	.047
	Earnings Per Share	2.645E-5	.000	.325	2.450	.016
	Price to Earning	.001	.000	.192	2.036	.044
	Market to Book Value Ratio	.004	.002	.389	2.030	.044
a. Dependent Variable: Human Resource Disclosure Level						

The multiple correlations $R=0.556$ and the relationship between Human Resource Disclosure Level and financial performance ratios of company were statistically significant and the multiple regression of human resource disclosure level and financial performance ratios of company were calculated as:

$$\text{HRAIDI} = 0.244 + 0.056 (\text{ROE}) + 0.062 (\text{ROS}) + 0.000026 (\text{EPS}) + 0.001 (\text{P/E}) + 0.004 (\text{M/B})$$

Hypothesis 2:

To test hypothesis 2, multiple regression analysis (Enter Method) were used and tabulated in tables 5 –6 and analyzed subsequently. The result obtained shows that HRADI positively and significantly correlated with measures of performance like ROA and NPG. Return on asset tends to have the strongest correlations with the human resource disclosure index ($R=0.252$). So we conclude that ROA and NPG have positive impact on disclosure scored because of very moderate variations obtained but TQ has no impact on HRAID index. So H_2 is accepted to the extent of HR disclosure.

The model summary for economic performance proxies indicate that $R=0.672$ and $R^2=0.451$. With regard to $R^2 = 0.451$, it means that economic performance of company is not a good predictor for explanation disclosure level of human resource. Other results are shown in below tables.

Table 5:

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.532	3	.177	7.558	.000 ^a
	Residual	3.310	141	.023		
	Total	3.842	144			
a. Predictors: (Constant), Net Profit Growth, Return on Asset, Tobin's Q						
b. Dependent Variable: Human Resource Disclosure Level						

Table 6:

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		

1	(Constant)	.304	.017		18.276	.000
	Return on Asset	.049	.020	.252	2.429	.016
	Net Profit Growth	.038	.014	.245	2.738	.007
	Tobin's Q	.021	.014	.165	2.821	.115
a. Dependent Variable: Human Resource Disclosure Level						

The multiple correlations $R=0.672$ and the relationship between Human Resource Disclosure Level and economic performance proxies of company were statistically significant and the multiple regression of human resource disclosure level and economic performance ratios of company were calculated as:
 $HRAIDI = 0.304 + 0.049 (ROA) + 0.038 (NPG) + 0.021 (TQ)$

12. Conclusion:

This study found significant connection between the economic and financial performance with the level of HRA disclosure practices. The economic and financial variables of the present study were on the basis of accounting and market indicators. This finding is consistent with a number of HR past studies such as [8, 45, 23, 53, 40]. One possible explanation could be entities, regardless of their profit or loss situation, entities devote their efforts to generate other information that can be used to justify their current financial circumstances. For example, a considerable number of listed entities in TSE (more than 75%) disclosed the effects of economic crisis on their businesses that impeded them to generate significant profits, to grow faster and to deliver higher value to the shareholders. In other words, it would appear entities concentrate more on explaining their financial results rather than on their human resource records.

This study finds that the bourgeois political economy framework partially explains the variability of social disclosure in particular HR practices. The results of the disclosure level indicate that most of the companies did not overwhelmingly comply with the requirements of disclosure. While these results at first may be surprising, they are consistent with Street and Gray who found similar results for compliance from companies in many countries. Furthermore, based on disclosure level mentioned in chapter 5, the results indicate that the average compliance rate was as low as 34.1% which indicates that these companies did not comply with the requirements of disclosures.

International contributions made to the field of HRA have resulted in growth of both the field HRA and the wider study of human capital, human resource metrics, intellectual capital, and organizational management. Along with advances in HRA theory, it is encouraging to note that some studies have been based on empirical research, case and field studies. Both the process and inclusion of HRA measures in human resource decisions are expected to have implications from the standpoint of providing measures that can compete with other investment proposals for the firm's resources, and demonstrate that the long-term benefits from such investments can be positive. The movement toward fair value accounting seen in recent years, for international standards, indicates a more sophisticated approach to the measurement of assets, tangible as well as intangible. This might suggest a willingness to recognize the need for, and consider the measurement and use of HRA in future external financial reporting.

Finally, the result of this study specified that Iranian firms reveal little financial and non-financial information about the human resources to shareholders. In the future, we may see institutional investors requesting more data about firms' human assets. We need to explore new ways that corporations can communicate with investors regarding their human capital. Of course, changes in financial disclosure concerning human resources will not solve all the challenges confronting the education of the workforce in the new knowledge-based economy, but such changes are an important step in rethinking the value of human resources. Such disclosure may lead to other changes in corporate culture and thus, encourage investments in human capital such as providing employees access to information about strategic decisions affecting job security.

13. Limitations of the Study:

- 1) Inherent in the exploratory nature of this study in relation to internal validity, the list of items on human resource information to compute the human resource accounting disclosure index might not be exhaustive.
- 2) The sample of this study has taken from Stock Exchange a single country and drawing solely annual reporting information, so the results may have limited external validity beyond the companies setting of the study.

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