



Factors Affecting Human Resource Accounting Disclosures of Banking Companies in Indonesia

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Abstract. Human resource accounting is a kind of measurement and statement from recruitment, hired, trained and development cost happened in a company. The disclosure of human resource accounting needs 16 mandatory factors must be fulfilled by company. The higher number of factors can be fulfilled, the better the quality of company is. So it is important for company to disclose human resource accounting to help company resolve their problems especially in organizing their employees. The sustainability of company depends on the human resource indeed. In Indonesia, the banking company has a higher percentage in disclose human resource accounting than non-banking company. There are some factors affecting the human resource accounting such as company size, profitability, and company age. The aimed of this research is to test whether that factors mentioned above are affecting the human resource accounting disclosures of banking companies in Indonesia. This research used banks which listed on the “Indonesia Stock Exchange (IDX)” from 2018 to 2020 as its population and filtered to be sample using specific criteria. As the result, this research collected 93 data from 31 banks and then analyzed using multiple regression analysis. The results of this study shows that both of company size, profitability and company age does not have effect on the disclosure of human resource accounting. The disclosure of human resource accounting in banking company such being a mandatory things and do not distract by any factors.

Keywords: Human resource accounting · profitability · company age · company size

1 Introduction

Human resources (HR) are often being one of fairly complicated problem in a company [1]. But human resources are a critical asset to determine the success of a company [2]. It has a role in the development of the business world which continues to accelerate so it is important for every company [3].

Human resource accounting disclosures are needed to improve the company’s image and maintain the company’s reputation so it becomes a consideration for potential investors and shareholders in the company or others interested parties [4].

The quality of human resources will make the company superior both competitively and play a role in carrying out the company's operational activities as well as realizing business strategies optimally and professionally [3]. With good quality human resources, companies can develop and survive in the mid of intense business competition [5].

The items disclosed indeed are [6]: (1) separate statement of human resource accounting; (2) human resource's value; (3) employee's number; (4) the policies; (5) the training and development; (6) success plan of management; (7) report of the employment; (8) employee VA; (9) development cost; (10) employees cost; (11) the categories; (12) the remuneration of management; (13) post-works benefits; (14) the recognition; (15) superannuation cost; and (16) other benefits.

Banking companies tend to have more human resource information and clearly shows HR accounting than others companies [7][8]. Reliable human resources owned by banking companies will create competitive advantages both now and in the future [8].

From previous result, the disclosure of HR accounting carried out by several banking companies take from "Indonesian Stock Exchange (IDX)" is inconsistent every year where in 2018 the average company disclosure was 52% and then increased in 2019 by 56%. And in 2020 decreased by 50%. This is a sign that the level of awareness of the disclosure of HR accounting carried out by the company is still lacking in relation to the information included in the annual report.

Challenges for accountants or auditors arise to identify and measure human resources as well as communicate to interested parties [9]. According to [10], in addition to facing these challenges, accountants or auditors also face obstacles in reporting human resource accounting while Bapepam-LK has not regulated the disclosure of HR accounting.

Disclosure of human resources has been widely studied so that it has benefits for the company. Disclosure of human resource accounting can help improve marketing for clients in the future and develop human resources which will have a positive impact on the company's reputation [11].

According to the above background, the purpose of this research is to test the impact of company size, profitability and age of company on HR accounting disclosures.

2 Literature Review

2.1 Stakeholder Theory

In this theory, that companies must report back to stakeholders about important activities because stakeholders have the right to obtain information about the state of the company that affects them [6]. With the need for information related to the company fulfilled, stakeholder trust in the company will increase [12]. Stakeholders have the authority to influence management at the stage of utilizing all the potential of the company. According to [3], good and maximum management of all company potential will be able to create added value to encourage financial performance and company value.

2.2 Human Resource Accounting Theory

The definition of HR Accounting cannot be separated from measuring and reporting the total costs happened because of the recruiting, hiring, training and developing activities

and embedded also up to knowing their economic value. This affects the measurement of costs and the value of the people as the company's human resources [13]. HR are energy, ability and capacity of people who have the potential and can be applied to provide services or produce useful goods [6].

Berney in Widodo [6] stated that human resource accounting has helped solve most of the problems regarding employees in the company. Company employees play an important role in taking out the company's daily routines, in other words, the company's survival depends on the human resources in the company.

2.3 Company Size

Firm size is a scale which represent how much total assets, sales, share value and others owned by company. Firm size can predict the HR accounting disclosure and usually can be grouped into three, namely large companies., medium and small. Large companies have more demands on information disclosure than small companies [14]. According to [6], the bigger the size of the firm, the greater information needed and the larger responsibility for information transparency compared to small company sizes. Large companies can invite stakeholders to make an investment [15].

Previous research from [16][17] shows that there are a positive effect between firm size to HR accounting disclosure. The bigger of the size of the firms, the better HR accounting disclosure because the company will be more productive gaining the profits. According to description above, the first hypothesis can be made is

H1: Firm size has a positive effect on HR accounting disclosure

2.4 Profitability

The used of profitability is to assess the ability of the firms in order to make a profit [18]. It obtained from sales and investments made by the company [19] and carried out within the company [6]. High profitability will attract the number of shareholders investment, because it serve a lot of information needs, while the information needed by stakeholders is not only limited to how much profit the company earns, but will affect investment decisions as well.

Research from [16] shows that there are a positive impact between profitability and HR accounting disclosure. Then study from [20] stated that profitability give positive effect on HR accounting disclosures. The second hypothesis can be made is

H2: Profitability has a positive effect on HR disclosure

2.5 Firms Age

Firms age explain the starting time of the firms begin their first operation up to has reached their sustainability in the business world [16]. Companies that provide voluntary disclosures when planning to issue equity, purchase other firms to serve explicit information and invite more shareholders [21]. Firms that have been around for a long time have more experience in disclosing HR accounting than firms that have just been established in terms of disclosing information for stakeholders.

Research from [6] stated firms age has an effect on HR accounting disclosure. Then research from [16] shows firms age give a positive impact on HR accounting disclosures. Then the hypothesis proposed is

H3: Firms age has a positive effect on HR accounting disclosure

3 Research Methods

In this study, the data is secondary data such as the annual report taken from <http://www.idx.co.id>. The population of this study is all banking companies listed on the Indonesia Stock Exchange in 2018–2020. The sampling technique used purposive sampling with the following criteria:

- a. Listed on the Indonesia Stock Exchange (IDX) [3]
- b. Use the IDR currency
- c. Consistently publish annual reports on the IDX official website throughout 2018–2020 [3]
- d. Consistently publish financial reports on the IDX official website throughout 2018–2020 [22].
- e. Does not have negative profits or suffer losses because users of negative numbers cause the analysis results to be biased [5]

3.1 HR Accounting Disclosure

HR accounting disclosures (HRAD) are measured using 16 disclosure items, where if the company has disclosed the disclosure item it is given a score of "1" and a score of "0" for companies that do not disclose human resource accounting. The total score of each company is used to get the net score. Formula for calculating human resource accounting disclosures taken from [6] as mentioned below

$$\text{HRAD} = \frac{\text{number of items disclosed}}{\text{total number of disclosure items}} \times 100\% \quad (1)$$

3.2 Company Size

Company size (CZ) is the value of the size of a company. Company size is usually seen from the number of sales, market capitalization, and total assets. Referring to the research from [6], the size of the company is measured by the total assets owned by the company with indicators of current assets, fixed assets, and intangible assets. Formula for calculating company size taken from [6] as mentioned below

$$\text{CZ} = \text{Ln}(\text{Total Asset}) \quad (2)$$

3.3 Profitability

Profitability is a measure of assessing the efficiency of an entity or company in order to earn a profit in a certain period. Return on Assets (ROA) can be used as a proxy for profitability because it is important for the banking sector to measure the effectiveness of the company in order to make a profit. Research from [9] stated that to calculate profitability is measured by using formula below

$$ROA = \frac{\text{Earningaftertax}}{\text{Total asset}} \times 100\% \tag{3}$$

3.4 Company Age

The age of the company (CA) is the sum of the calculation of the age of the company from establishment to the year of observation carried out during the study. Research conducted by [6] stated that company age is measured by the year the company is registered as a public company listed on the IDX.

$$CA = \text{year the company was registered as a public company in Indonesia Stock Exchange} \tag{4}$$

4 Results and Discussion

4.1 Result

4.1.1 Multiple Regression Model

According to Table 1, the results of multiple linear regression can be developed using a linear equation model, namely:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$$

Table 1. Result of Multiple Regression Analysis

Model	β	t	Sig.	Result
Constant	9,962	0,457	0,649	
Company Size	1,896	1,864	0,066	Rejected
Profitability	0,030	1,883	0,063	Rejected
Company Age	0,281	1,767	0,081	Rejected
F score	1,676			
Sig.F	0,179			
Adj R ²	0,024			

Source: Secondary data, processed 2022

If the equation from Table 1 is distributed, the the following values will be obtained:

$$Y = 9,962 + 1,896X_1 + 0,03X_2 + 0,281X_3 + \epsilon$$

From the above equation, it can be described:

1. A constant of 9.962 means that if there is no influence of Company Size (X1), Profitability (X2), Company Age (X3), then the value of Human Resources Accounting Disclosures (Y) is 9.962
2. The Firm Size variable (X1) has a value of 1.896, means that for every 1% increase, the Company Size will increase by 1.896% with the assumption that other variables are constant and vice versa, if there is a 1% decrease, then the Company Size will decrease by 1.896%.
3. Profitability variable (X2) has a value of 0.030 which means that every 1% increase, Profitability will increase by 0.30% with the assumption that other variables are fixed and vice versa, if there is a 1% decrease, Profitability will decrease 0.30%.
4. The variable age of the firm (X3) has 0.281 which means that for every 1% increase, the age of the firm will increase by 0.281% with the assumption that other variables are constant and vice versa, if there is a decrease of 1%, the age of the company will decrease by 0.281%.

4.1.2 Coefficient of Determination Test (R^2)

Based on the adjusted R square value is 0.024 or 24% which means that the human resource accounting disclosure variable is influenced by company size, profitability, and company age while the rest ($100\% - 24\% = 76\%$) of 76% is influenced by other variables that not researched.

4.1.3 F Test (Simultaneous Test)

According to Table 1, it is known that the significant value is 0.179. Because the significant value is $0.179 > 0.05$, then based on the standard f-test decision-making it can be concluded, firm size, profitability, and company age do not have a significant impact on human resource accounting disclosures (Y).

4.1.4 T Coefficient Test (Partial Test)

The t statistic test shows how far the influence of the independent variables individually explains the variation of the dependent variable. The t-test in this study was carried out by comparing the significance of t with which is 0.457. Based on Table 1, the results of the t-test can be described as follows:

1. The results of the first hypothesis show that the firm size variable has a significant significance of 0.66. The significant value of t is greater than (0.005), then H1 is not supported. This means that the first hypothesis shows that company size has no effect on human resource accounting disclosures.

2. The results of the second hypothesis show that the profitability variable has a significant value of 0.063. The significant value of t is greater than (0.05) then H2 is not supported. It means that the second hypothesis shows that profitability has no impact on human resource accounting disclosures.
3. The results of the third hypothesis show that the firm age variable has a significant value of 0.081. Significant value greater than 0.05, then H3 is not supported. It means that the third hypothesis shows that the age of the company has no impact on the disclosure of human resource accounting.

4.2 Discussion

4.2.1 The Effect of Firm Size on Human Resource Accounting Disclosures

The firm size variable has t value of 1.864 with a coefficient value is -1.896 and a significance value of 0.066 that greater than 0.05. It shows that firm size has no impact on human resource accounting disclosures.

The results of this study are supported by research [12][23] which states that the larger the size of the company does not always determine the higher level of disclosure of information related to human resource accounting by the company. There is no influence of company size between human resource accounting disclosures because large companies seen from their market capacity disclose human resources in their annual reports with a relatively large number of disclosures compared to small companies in terms of market capacity. According to [24], human resource accounting disclosures in Indonesia are still voluntary, so companies have the right to choose to disclose or not.

4.2.2 The Effect of Profitability on Human Resource Accounting Disclosures

The profitability variable has t value of 1.883 with a coefficient value is 0.030 and a significance value of 0.063 that greater than 0.05. It shows that profitability does not affects the disclosure of human resource accounting.

The results is in line with research from [2][22] which stated companies that have higher profitability do not necessarily disclose various information related to their human resources, because these companies are more profit-oriented so that profitability can not affect human resource accounting disclosures. Disclosure of information regarding human resources is voluntarily reported by the company if the company has awareness and concern about the importance of human resources as a driving force for the success of the company's goals.

4.2.3 The Effect of Company Age on Human Resource Accounting Disclosures

The firm age variable has t value of 1.767 with a coefficient is 0.281 and a significance value of 0.081 which is greater than 0.05. It shows that the age of the company does not affect the disclosure of human resource accounting. This proves that regardless of the age of the company listed on the Indonesian Stock Exchange (IDX) is not guarantee that the company discloses information related to its human resources.

The results of this study are supported by [19][1] that conclude company age has no significant positive effect on human resource accounting disclosures. This shows

that companies that are young or have recently been listed on the Indonesian Stock Exchange (IDX) disclose human resource accounting in their financial statements or annual reports, which are relatively the same as companies that are old or have been listed on the Indonesian Stock Exchange (IDX).

5 Conclusion

From this research we can conclude:

1. Firm size has no effect on human resource accounting disclosures.
2. Profitability has no effect on human resource accounting disclosures.
3. The age of the company has no effect on human resource accounting disclosures

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Authors' Contributions. Research on human resource accounting disclosures in Indonesia has been conducted several times but the results show inconsistent results. The contribution of the researcher is to add research references about previous research that prove company size, profitability and company size can not support the human resource accounting disclosure by using a sample of banking companies in Indonesia with a different period, namely 2018–2020.

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