

# [Human management and reporting of human capital](https://assignbuster.com/human-management-and-reporting-of-human-capital/)

[](https://assignbuster.com/)[Business](https://assignbuster.com/essay-subjects/business/), [Accounting](https://assignbuster.com/essay-subjects/business/accounting/)

HUMANRESOURCE DISCLOSURE PRACTICE QUALITY OF BANGLADESHI COMPANIES          ByMDALAMGIR HOSSAINPASSPORT: AC7665589GEOMATIKAUNIVERSITY COLLEG   Table of Contents Abstract 1 Introduction. 1 Problem statement 2 Research Question. 2 Purposes of the study. 2 Discussion. 4 Implications.

4 Conclusion. 4 Reference. 5  Abstract Importance ofsustainable approach to entrepreneurship is growing. With this trend importanceof sustainability reporting, which includes reporting on human resources alsoincreases. Where human resources are fundamental for any company, newinformation needs exist for the company’s shareholders and stakeholders. Theydemand information on questions related to the creation of value whereintangible assets, especially the human element, is of maximum importance, andabout social responsibility compliance, where information about the employeesis fundamental. In this study I examined the existence and extent of reportingon human resources in annual reports of the garments sector companiesregistered under the Dhaka Stock Exchange of Bangladesh which belong toselected industrial sectors.

Under this study I investigated the potentialdeterminants of the level of disclosure on human resources practices. Theresults point out that HR disclosure quality level is very low among the samplecompanies. The ordinary least squares regression (OLS) analysis resultsindicate that the level of HR disclosure quality is associated with company’semployees expenses as a proportion of its total operating expenses”, whereas profitability, do not have significant influence on its level of HRdisclosure quality. Keywords – HRDisclosure Quality, Intellectual Capital, Bangladesh, Employees’ expenses. IntroductionIn the knowledgeeconomy, with the increasingly important role of knowledge, professional skillsand abilities in product manufacturing and service delivery, effectivemanagement and reporting of human capital is imperative for organizationsseeking for performance enhancement. In this sense, the study on corporatedisclosure of intellectual as well as human capital has received growingresearch attention. Nevertheless, the extant research of intellectual or humancapital disclosure focuses on the antecedents or influencing factors ofengaging the reporting activities and international or industry segmentcomparisons of the reporting practices. The resulting performance implicationof human capital disclosure is still not well addressed, theoretically orempirically in developing countries such as Bangladesh.

Human, materials, machines, implies money and strategies are the assets required for anassociation. These assets are comprehensively ordered into two classifications, viz., vivify and lifeless (human and physical) assets. Human, also called theHR, are thought to be energize assets. Others, in particular, materials, machines, cash and strategies are thought to be lifeless or physical assets. Assets areon the whole human, material, genuine and fiscal components that can beattracted and utilized the creation of monetary products to fulfill socialneeds (Dobrota, 1999, p. 159). Because of the new economy, learning basedeconomy it has been presumed that HR turns out to be progressively morecritical in deciding the aggregate estimation of an association.

HR alludes toan arrangement of information and fitness, aptitudes and preparing, advancementand capacities, states of mind and aptitudes, learning capacity and inspirationof the general population who frame the association (Ionel et al., 2010). Inspite of the fact that the specialized establishments, hardware or money relatedcapital are imperative, HR, specifically, essential (Armstrong, 2001). Theconventional approach is to regard individuals as simple” consumption” or in the bookkeeping approach inclination asnegligible costs attested by (Manolescu, 2003). Joint human asset worldview isinadequate and restricted. It takes your psyche to a consumable asset composeat a cost and thusly the organization as far as limiting expenses. As a matterof fact it is around a basic vital component in the organization’s future, itis about HR. HR incorporate the consolidated learning, aptitude, innovativeness, creativity and capacity of every worker of a firm to leadroutine exercises.

It additionally incorporates the organization’s esteems, itsway of life and theory (Ionel et al., 2010). So the disclosure of humanresource capital is a vital need now a days. Problem statementBangladesh is adeveloping country and it has many natural resources. As a result of that manynew companies in different industrial sectors are evolving in the countryspecially garments as there are lots of demand from the foreign countries. There are being recruited many workers as well as professionals.

As a result itis sensible to trust that Bangladeshi companies demonstrate a bit by bitdeveloping enthusiasm for detailing devices on HRD in their yearly reports asthere are less disclosures about human resource capital in the company’sfinancial statements. After shedding some light on the importance of disclosurethe question that needs to be answered is: What is the level of HR disclosedquality in annual reports of the Bangladeshi stock registered garmentscompanies and are the companies’ characteristics associated with the level ofHR disclosure quality. Research Question Q1. What is the levelof HR disclosure quality in annual reports of the Bangladeshi stock registeredgarments companies? Q2. Are the companies’characteristics associated with the level of HR disclosure quality? Purposes of the studyIn view of less researchhas concentrated on the nature of HR disclosure, driven by this contentionexplored the level of HR disclosure quality in Bangladesh.

The examinationadditionally distinguished the variables that impact the level of HRdisclosure. Subsequently the overall objectives of the present investigationare as per the following: To determine the levelof HR disclosure quality in annual reports of the Bangladeshi stock registeredgarments companies. 2. To determine whethercertain company characteristics associated with the level of HR disclosurequality.  H1.   There is a positive association betweencompany’s profitability and level of HR disclosure quality. ProfitabilityIn earlier studiesreported mixed results of the relationship between HR disclosure and profitability. For example, Williams (2001) noticed a significantly inverse relationshipthrough investigating 40 UK companies.

Sonnier et al. (2007) reach to similarfindings through examining 143 high-tech companies in the US. HoweverGarcia-Meca et al. (2005) and Li et at (2008) found a significantly positiverelationship in spain and UK respectively. Ahmed (2009), Hossain (1998), OwusuAnsa’ (1998).

Inchausti (1997), Raffournier (1995); Wallace and Nascr (1985)and Wallance(1987) used Profitability in disclosure studies as independentvariable. Hossain (1998) identified that profitability is capable ofinfluencing the level of corporate information disclosure. Owusu-Ansah (1998)found that unprofitable companies are also inclined to release more informationto defend their poor performance.

Lang and Lundholni (1993) noted that theinfluence of a company’s profitability level on disclosure can be positive, neutral or negative, depending on its performance. But the study of Belkaouiand Kahl (1978) found a negative relationship between profitability and levelof reporting. H2.

There is a positive association betweencompany’s employee expenses ratio and level of HR disclosure quality. Employee ExpensesJindal et al. (2012) intheir investigation uncover that human capital disclosure Score is decidedlycorresponded with the employee expenses as an extent of their aggregate workingexpenses. This basically implies the organizations in which employee expensesconstitute a greater part of operating expenses are the ones which reveal moreon the HC front. Other investigation of Wright and Snell (2005) demonstratedthat value in knowledge based economy can be made by better training, development and retention of the employees.

This improved estimation of firm, withbetter HR exercises, can’t be accounted for on the balance sheet. It must beaccounted for to its financial users through HC disclosure. Consequently, HCdisclosure should increment with the expanded measure of spending on workers. With the developing information economy the employee expenses of the Indianorganizations have expanded commonly. Subsequently, this investigation guessesthat the organizations with a more noteworthy extent of their working expensesput resources into workers’ pay ought to have noteworthy positive effect on thedegree of their HC disclosure quality. Discussion Based on  sample annual reports of  Bangladeshi companies from garments sectorswhich are listed in Dhaka Stock Exchange, the results support the expectationthat the quality level Human resources accounting disclosure is low.

The resultis supported by other study performed Md Habib-Uz-Zaman Khan in Bangladesh(2010) who examined the CSR disclosure practices of selected public listedcompanies in Bangladesh. The study reveals that the level of CSR is low amongBangladeshi companies. This study also supported by earlier studies performedin emerging economy country contexts (for example, Belal (2001) for Bangladesh, Naser and Baker (1999) for Jordan; Savage (1994) for South Africa). All ofthose studies revealed that the extent of CSRR disclosure is also very low andthis results. The company’s characteristics variables are the profitability andratio of employee expenses to total operating expenses. The multivariateregression analysis show that profitability has negatively correlated with HRAdisclosure Scores and employee expenses is positively correlated with HRAdisclosure Scores. This result supported by (Jindal et at.

, 2012). ImplicationsIn summary, theobjectives of this research were (1) to describe the extent of what is thelevel of HR disclosure quality in annual reports of the Bangladeshi stockregistered garments companies and (2) Are the companies’ characteristicsassociated with the level of HR disclosure quality? As there is few previousstudy in the field of CSR in Bangladesh before, this study presents an overallpicture of HRA disclosure in Bangladesh and offers recommendations toregulators who are interested in improving, monitoring and enforcing theadequacy of HR disclosure in Bangladesh and also to companies who are willingto enhance the HR practices within their own companies. ConclusionHuman ResourceAccounting Information of an organization is very important factor to decisionmakers in the era of knowledge based economy. As a result, each organizationtakes serious attempt to disclose its HRA information to insiders and outsiderdecision makers. In fact, it is becoming an integral part of management report. This study initiates to reveal the disclosure quality of HR of listed garmentscompanies in Bangladesh. Its results shows that there is a positive associationbetween company’s profitability and level of HR disclosure quality and alsothere is a positive association between company’s employee expenses ratio andlevel of HR disclosure quality. In addition, the results also find thefinancial companies are disclosing HRA information than non-financial companiesand company’s profitability positively influences companies to report theinformation in their annual report.

Hence, regulation structure in Bangladeshis enhancing the disclosure practice particularly in the area of HRA References1Abeysekcra, I.(2006). Managing human capital in a privately owned public hotel chain.

InternationalJournal of’ Hospitality Management, 25(4), 586-601. 2Abeysekera, I.,& Guthrie, J. (2004). Human capital reporting in a developing nation. The British Accounting Review, 36(3), 251-268. 3Abeysekera, I.,& Guthrie, J.

(2005). An empirical investigation of annual reporting trendsof intellectual capital in Sri Lanka. CriticalPerspectives on accounting, 16(3), 151-163. 4Abdulla AlNaimi, H., Hossain, M., & Ahmed Momin, M. (2012). Corporate social responsibilityreporting in Qatar: a descriptive analysis.

SocialResponsibility Journal, 8(4), 511-526. 5Abhayawansa, S.,& Abeysekera, I. (2008). An explanation of human capital disclosure fromthe resource-based perspective.

Journalof Human Resource Costing & Accounting, 12(1), 51-64. 6Ahmed HO, A., and Mohd Ghazali, M. A. (2012), “ Intellectual capital disclosure trend: some Malaysian evidence”, Journal ofIntellectual Capital, Vol. 13 No. 3, 377-397. 7Ahmed, A.

A.,& Dey, M. M. (2009, November). An Empirical Analysis of PerformanceMeasurement of the Disclosure in Financial Reporting: A Study of Banking Sectorin Bangladesh. In COMSATS Institute ifInformation Technology 2nd COMSATS International Business Research ConPrence, Lahore, Pakistan: CIIT.

8Alam, I., & Deb, S. K. (2010). Human resource accounting disclosure (HRAD) inBangladesh: multifactor regression analysis-a decisive tool of qualityassessment. The Cost and Management, 38(3), 9-13. 9AlMamun, S.

A. (2009). Human resource accounting (HRA) disclosure of Bangladeshicompanies and its association with corporate characteristics.

10AlvarezDominguez, A. (2011). The impact of human resource disclosure on corporateimage.

Journal of Human Resource Costing& Accounting, 15(4), 279-298. 11EricG. Flamholtz (1971): A Model for Human Resource Valuation: A Stochastic Processwith Service Rewards. The Accounting Review. 12AmericanAccounting Association Committee of Accounting for Human Resources, Report ofthe Committee on Human Resource Accounting, 1973, The Accounting reviewSupplement to vol.

XLVIII; Ax, C., & Marton, J. (2008). Human capitaldisclosures and management practices. Journalof Intellectual Capital, 9(3), 433-455. 13Barney, J. (1991).

Firm resources and sustained competitive advantage. Journal of management, 17(1), 99-120. 14Beattie, V., & Smith, S. J.

(2010). Human capital, value creation and disclosure. Journal of Human Resource Costing &Accounting, 14(4), 262-285. 15Belkaoui, A., & Kahl, A. (1978).

Corporate Financial Dis’closure in Canada, Research Monograph No. 1 of CanadianCertified General Accountants Association.