**The Determinants Of Human Capital Disclosure For Financial Sector In Malaysia**

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**ABSTRACT**

Disclosure of human capital is evolving and has rapidly emerged as a critical area of focus through the lens of stakeholders. This study analyses the factors influencing human capital disclosure for financial sector in Malaysia from 2013 to 2017. The result of this study reported that there is significant positive relationship between firms’ performance and leverage towards human capital disclosure. This study discovered among the human capital characteristics, employee benefit has the highest value on human capital disclosure for Financial sector in Malaysia followed by training of employee, Occupational Safety and Health Administration (OSHA) and the lowest value is descriptive employee. This study uses descriptive analysis, content analysis, correlation analysis, and regression analysis to test and analyse the dependent variables and independent variables of this study. The results of this study should be great importance to many parties such as employees, stakeholder, government, researcher and university in making right decision with regard to human capital disclosure.

***Keywords****:**Human Capital Disclosure, Performance, Leverage, Financial Sector*

**INTRODUCTION**

Human capital has long been acknowledged among the worldwide integration and they are cognizant of this. It has been recognized as an inventor of assets and available value to the company and also in current business environment, human capital is regarded as the primary source of medium advantage. Companies see their employees as a very imperative resource and invest deeply into the employee. Recognition and use of human capital assistance companies is more effective, innovative and productive by Argawala (2003). Thus, Guthrie and Petty (2000) point out that most organizations are beginning to see human capital as an important factor in achieving long-term survival and sustainability. In general, many scholars have discussed about human capital reporting in other country. Stewart (1994), Abeysekera and Guthrie (2002) and Bassi et al. (2000) also noted that human capital reporting has earned great academic and practitioners’ attention around the world last decade and a half. This is because human capital is an essential element under intellectual capital where firms need to focus on human capital reporting. In Malaysia, only a fewer number of researcher that study about human capital disclosure in financial sector which makes people do not know much about it and thought that it is include in the intellectual capital. Human capital is an important driver of long-term corporate of financial performance by Gamerscglag (2013). It is often known as the most important resource of the organization but most of firms do not provide a meaningful information or knowledge about their human capital. Guthrie and Petty (2000) also state that most firms start to see human capital as an important factor in achieving successful organizational objectives for long-term survival and sustainability. Financial performance has governed the discussion of annual report but this annual report does not include human capital. Human capital is involved in the financial performance defined as a key elemental increases the firms’ asset and human capital (Schulz, 1993). Thus, human capital is involved in the financial performance. To measure the human capital in financial performance and the determinants that we use, this study will use firm size as well as firm performance as measuring human capital in the financial performance. Almost every year, people have discussed about human capital in the industry. Most of the industries that involve human capital even more in sector section such as financial sectors, manufacturing sectors, banking sectors, and others. A few years ago, there are a lot of researcher study about human capital in the financial sectors but not directly into human capital or human capital disclosure in financial sectors. There are some issues that cause human capital disclosure in financial sector and this issue is a major concern of many firms and also employees. The most common issue in the financial sector is facilities and benefits provided to employee.

According to Arora (2003), employees desire for attractive benefits when looking for jobs such as medical and insurance facilities for themselves and their families to have more stable and secure life. In addition, based on Abesyekera and Murthy (2007), firms show information on the benefits and facilities offered to the employees to convince stakeholders that they motivating their employees, thereby improving their competiveness and efficiency. Moreover, retaining the motivation of their own workforce is important to reduce the rate of shifting and retain skilled personnel. Therefore, the disclosure of such information can help the organizations obtain the necessary talents. Other issue is lack of skilled and knowledge for workers. As mention before, human capital is very important in every work place including in financial sectors. The skills and knowledge of workers or employees have been used as a major source of sustainable competitive advantage by Teece et al. (1997). Therefore, according to Lado et al. (1992, a firm is able to increase their value in human capital by providing the firm’s specific training and education that cannot be duplicate by other firms. According to Levy (2000), “the lack of skilled tradespeople and experienced managers will be putting more emphasis on the need to improve the quality and the quantity of training in order to produce more effective and productive employees”. These finding are also in line with Murthy and Abesyekera (2007) who report from high disclosure levels to the quality of education and training by software firms in India. In addition, scholar have found that the training and knowledge have been provided firmly by firms from the various of countries (Guthrie et al., 1999; Abesyekera & Gurthrie, 2004; Murthy & Abesyekera, 2007). This disclosure will show the company’s commitment of their employees’ careers. Moreover, in recent years, there have been workers issue in Malaysia. The financial sectors faced many problems at that time and mostly in banking operations which relies on human expertise. The issue or the problems are same as mention before which are lack of skilled and knowledge, facilities and benefits provided and several issue about human capital in Malaysia. From previous study, factors affecting human capital disclosure in the financial sectors can be divided into two bases, namely firm performance, firm size and firm leverage. Some prior have study about the details but not too much because they only study the factors that included in their study. The variables that chosen and discussed in this study is based on human capital disclosure as the independent variable. Thus, this study was conducted to examine the shortcomings of previous studies.

The importance of this study is to study the human capital in the firm using the human capital disclosure index. It is significant to know the features that influence human capital disclosure in financial sectors. So that human capital disclosure index construct for this study to be used as a point of reference by the financial sector in firm to enhance their human capital disclosure in the future. The finding will benefit many parties such as employees, stakeholder, government, researcher and university.In addition, this finding will have potential to give valuable guideline to the companies in making right decision when dealing with human capital. Our finding will help the stakeholder to consider if there any major when it comes to human capital disclosure. More importantly, this paper will show the highest factor that influence human capital disclosure in financial sectors. Furthermore, this paper will enrich with valuable information regarding human capital disclosure that will benefit researcher for future study references. Lastly, university also can use this paper as a reference about human capital disclosure. Based on the problem statements discussed in the above, this study established the general objective of this study i.e. to investigate the influence of firms’ performance and leverage on the human capital disclosure. This has led to the following specific objectives:

* To measure the effects of Return on Equity on human capital disclosure in the financial sector in Malaysia.
* To examine the impact of Return on Asset on human capital disclosure in the financial sector in Malaysia.
* To investigate the influence of Debt-to-Equity (DTE) and Debt-to-Asset (DTA) of Return on Equity on human capital disclosure in the financial sector in Malaysia.
* To identify the effects of Debt-to-Asset (DTA) of Return on Equity on human capital disclosure in the financial sector in Malaysia.
* To understand the value of human capital characteristics on human capital disclosure

Hence, this study will provide a rational factor that influence human capital disclosure in Malaysia. Though, there are studies that examine human capital in Malaysia, but there are some figures that make human capital disclosure in financial sectors in Malaysia. In conclusion, this study wants to test whether there is a significant relationship between the factors that influencing and the human capital.

**LITERATURE REVIEW**

In general, human capital refers to all the individual resources that directly contribute to the organization of physical, knowledge, social and reputational. Gamerscglag (2013) said human capital is as an imperative driver of long-term corporate financial performance. It is often known as the most vital resource in the organizations but most firms do not provide a meaningful information or knowledge about their human capital. According to Abhayawasa & Abeysekara (2008) human capital is known as information stock and flow that involves human resource management practices, organizational culture, policies, procedures, culture, and systems that utilize this knowledge generate value. Based on the meaning, it shows the significant of human capital in the achievement of firms. Therefore, firms or companies need to understand their human capital and utilize united human resources to become more competitive. Nevertheless, the company’s statement of the important of its human capital has turn into cliché (Mayo, 2000). Researcher are of the opinion that people’s experience is inevitably consistent with their interpretation of company statement. In addition, human capital as the ability and skills of some people or individual of value (Schultz, 1961). This also means that all human capabilities, whether they are natural or acquires are considered human capital. Human capital is often regarded as essential for the creation of organization value in intellectual capital components (Bontis & Fit-Enz, 2002). Bontis (1997) also state that human capital is essential for organization innovation because (O’Donnell et al., 2003) it is used in the process of value creation from intellectual capital. To drive innovation, skill and involvement is needed (Cuganesan, Carlin & Finch, 2009) as both create and realize the benefits of customers, suppliers, and wider external relations. Thus, Sveiby (1997) said that human capital management is essential for business antagonism. Previous studies on human capital have attempted to measure the value that individuals bring to the organizations (Pfeffer, 1995; Roslender, 1997; Grojer & Johanson, 1998). However, not like other type of assets, human capital is unlike other types of assets not owned by the company, but it is held through job link by Sveiby (1997). Therefore, the efforts to quantify human resources is challenging and still cannot be decided. There are many character of human capital measurement. This study seeks to examine the human capital characteristics namely descriptive employee, training of employee, Occupational Safety and Health Administration (OSHA), and employee benefit.

**Human Capital Disclosure**

Human capital disclosure is now not regulated, which let firm to decide on, when and where to disclose. Human capital disclosure is practical and intentional. The human capital figures disclosed in annual report does not exist in a systematic and reliable method because no legal or accounting requirement that need to be encountered, indicating that the companies can established schedules to facilitate the increase of their capital through human capital disclosure.There is no concept of definition human capital disclosure. To date, no independent human capital report are systematically collected by the company. On the other hand, human capital disclosure is only voluntary and can be found during the annual report. It can be categorized as human capital on condition that the data is disclosed in annual report on human capital. In general, the purpose of human capital disclosure is to offer relevant information to relevant users to meet the need that improve decision-making and accountability by (Guthrie and Petty, 2000; Verrecchia, 2001). Especially, human capital disclosure can be defined as company information reveals the capabilities, knowledge and motivation of its employees. Abesekera and Guthrie (2004) state that it is disclosed voluntarily through the relevant communication channels.This study views at the level of human capital disclosure by focusing on the annual disclosure practices of facility companies from finance, technology, services and commerce as well as the hotel industry. Based on Hamzah, Hassan, Mohamed, and Ahmad (2013), the results show that employee benefits as well as facilities are the utmost disclosed human capital elements, tracked by work-related training and knowledge. Meanwhile, Rahman, Ahmed and Hassan (2016) point out that their results indicate that the amount of disclosure of human capital information has gradually increased for years, and signals increased managers’ understanding and awareness to disclose information related to the workers in financial sector.

***Descriptive Employee***

An enthusiasm employee will contribute their effort to help the firms grows better. This will need to a healthy financial growth, and vice versa. An employee with flexible skills and good behaviours are probably like to pay off in terms of gained firm financial performance. As stated by Abeysekera and Murthy (2007), firms should show the information about benefits and facilities that offered to the employees in order to reconfirm their stakeholders that can motivate their employees, which lead to increase their efficiency and competitiveness. Employees look for advantages for themselves such as insurance and medical care for personal and family care to finance them with a stronger and vibrant life. It is therefore important for the firm to accomplish it as the performance of the company is more dependent on the employees (Hamzah, Hassan, Mohamed, Ahmad; 2013). Hence, disclosure of such info in financial sector can help companies or firms gain the talents needed.

***Training of Employee***

Training is a requirement in the workplace. Without training, the employee would not understand about their duties or responsibilities. Employee training is a program that provides new information, skills, or professional development occasions to employees. Based on Elnaga & Imran (2013), training plays an important role in the building current employees and competencies to carry out their duties. It is well-thought-out as a type of investment by the firm that carries high returns on investment and also to attain competitive advantage in financial sectors. Employee knowledge and skills have been regarded as a major source of supportable competitive benefit. As such, firms can upsurge their rates by emerging firm-specific capabilities in their human capital through training and education, which cannot be copied by others (Abeysekera & Murthy, 2007). In addition, training and development in the technology industry is crucial for their human capital to inform them of recent development, improve their efficiency, and safeguard that firms will not be missed. This decision goes smoothly with Murthy and Abeysekera (2007) which tells an extraordinary level of disclosure to training and education quality by the software firm in India.

***Occupational Safety and Health Administration (OSHA)***

Occupational safety and health are important to human traits in Malaysia because of high enforcement and due diligence of the Malaysian government in relation to the area. According to Rampal and Nizam (2006), the implementation and enforcement exposure in Malaysia are limit at the workplace. In particular, it is run by the Department of Safety and Health (DOSH) as well as from other ministries that regulate other exposures. Enforcement is a common practice of DOSH even though the lack of staff prevents the inspection of all workplace within the country. There is a slight number of official statistics on compliance in the workplace data in Malaysia by Rampal and Nizam (2006).

***Employee Benefit***

Most of companies prepare the information about the potential of benefits. It is under company’s capital allocation. Based on Gray et al. (1995), it is the key motivation for the companies to lower the company’s cost. Besides, it is also for additional information to reduces investor uncertainty. Uncertainty comes once the knowledge-intensive companies need to increase the cost of capital. Lang and Lundholm (1996) and Holland (1997) show that providing a great information may have a optimistic impact on the company’s credibility and coverage of analyst. Thus, the companies are able to provide precise information to the external user. Garcia-Ayuso (2002) state that findings proclaimed that the companies examined enclosed a large amounted of voluntary information based on the survey on the disclosure practices.

**Firms’ Performance**

Generally, firm performance is a complex term which may contain several shadows of content as long as it relates to functioning of the firm, organizational performance and outcomes of its operations. Firm performance identified as financial health or financial stability in financial sectors. There are various financial measures that can be used to evaluate the performance of a firm. Solakoglu and Demir (2016) point out that gender performance effects firm performance for local market-oriented companies, for firms with bloc ownership and firms in financial sector. Firms’ performance depends on how the manager’s decision-making and critical thinking skills are. According to Primc and Cater (2015), managers have to take into description that the path to high performance of firm is usually different from those that lead to poor performance. In general, investors are considered to have no voluntary disclosure. It is caused by sign of “bad news” about a firms said Verrecchia, (1983) and McKinnon & Dalimunthe (1993). Conversely, managers may have incentives to disclose voluntary data, especially earnings forecast to avoid legal liability, even if it does not benefit the firms (Skninner, 1994). Nevertheless, previous empirical sign on the association between firm performance and voluntary disclosure practices is mixed. Based on the statement, it can be conclude that the superior the company performance, the better the inducements to disclose more voluntary data. It may prevent the insights of the user of whacking some unpleasant data.

**Firms’ Leverage**

According to (Hossain et al.,1995; Barako et al., 2006), they state that leverage and human capital disclosure have a positive impact on the established markets and in initial markets. Based on (Francis et al., 2005) they obtained consistent outcomes with these proposal using multinational database. Other researchers such as Chow and Wong-Boren (1987) and El-gazzar et al. (2008) claim that leverage is not a factor of voluntary disclosure, as they do not establish important relationship between the two in their study. In addition, (Eng and Mak, 2003) found negative correlation between leverage and voluntary disclosure via Singapore samples. On the other hand, extensively held views remain that firms with greater leverage levels experience thoughtful agency problem and bear complex agency cost. Moreover, many researcher (Mahmud Hossain, Tan, & Adams, 1994; Janggi & Low, 2000; Khanna, Palepu & Srinivasan, 2004) argue that more levels of leverage produce more agency costs. Due to the problems, the firms need to minimize cost levels and require more relevant disclosure of information about human capital for investors. Through the increased leverage smooth for investors, there is further transfer of property for them. This is due to the increase in leverage levels resulting in higher agency costs due to large monitoring by investors (Meyers, 1977). Great financial leverage firms require greater clarity in their processes. This is due to investors request that they disclose extra financial information by Khanna et al. (2004). Furthermore, influential companies in their assets structure are encouraged by auditors to disclose data voluntarily. This is because the company’s financial information is required to meet their creditors and other stakeholders.

**Theoretical Framework**

There are three types of theories have been applied to this study. The theories are:

***Human Capital Theory***

Human capital is a sort of an individual’s collection of traits that consist of habits, knowledge, social traits and personalities that will contribute to economy by adding more value. Meanwhile, the theory of human capital itself, is a human resources management study. This theory is one of the greatest influential and important economic theory in Western education, and it is progressively seen as a primary basis of economic performance. This theory was originated brought out by Adam Smith and its getting broader as other theorist involving themselves in altering and improvising the theory itself. The key strategy in determining economic recital in human capital and variety of economic metaphors such as education, innovation, technological change, study, productivity, and competitiveness, said Fitzsimon (2017). Human capital is the main to success of the company. Company need to understand its human capital and make it become more competitive.

***Resource-Based Theory***

Resource-based theory is the most-talked alternative in explaining the reason of the firms succeeds and failure. Based on Hitt, Xu., & Carnes. (2016), Resource Based Theory (RBT) has turn out to be increasingly popular in operational management study. This theory is the management framework used to determine the strategic resources with the possibility to carry comparative advantage to a firm. A resource is valued up to which it supports a firm form unique and inimitable strategies that capitalize on opportunities and lessens threats. Next, tactical resources can be formed by various strategies and resources, bundling them together in a way that cannot be copied. To gain all of these, it will lie on the variables; employees, innovation, training, and work-related knowledge. All the variables have affect the firm performance in financial sector in both positive and negative affect.

***Signalling Theory***

The signalling theory suggests that companies with good performance have a tendency to to make voluntary disclosure willingly, as they do. From signalling theory view by Spence (1973), there exits problems of the information irregularity among the various parties (Healy and Palepu, 2001; Stiglitz, 2002), whether inside or outside the organizations. Connely et al. (2011) and Bergh and Gibbons (2011) stating that in order to prevent or minimize the problems, those who possess or have admission to the information required may communicate or drive signals to the parties involved. Voluntary disclosure of this related data reduces the limpidity of information and helps both sides shape the same understanding. Through regard to human capital revelation, firm can disseminate relevant information to various stakeholders (Olsson, 2001). In particular, from the perspective of external stakeholders, the firm may convey to shareholders with information on main human capital so that shareholders can properly assess the potential profitability of a company by Curado et al. (2011). Although, from the perspective of internal stakeholders, firm that disclose more information on human capital regarding can establish a common understanding between the employers and employees and business commitments (Meyer et al., 2004) to improve production efficiency or to serve better customers in order for organization to achieve better efficiency and better operating results. Rate of return on firm equity (ROE) is used by researcher for this outcome. Companies with performance and quality of goods always have the impetus to voluntarily provide data to differentiate them from undeforming companies. Based on (Singhvi and Desai, 1971), they claim that better profits may persuade management to provide extra information, to exemplify its capabilities, to exploit shareholder value, and to increase managerial reimbursement. The theoretical framework is summarised in Figure 1. This theoretical model is to support the three types of theories that have been adopted in this study.

**Dependent Variable**

**Independent Variable**

**Firms’ Performance**

* Return on Equity (ROE)
* Return on Asset (ROA)

**Human Capital Disclosure**

* Descriptive Employee (DOE)
* Training of Employee (TOE) Occupational Safety and Health Administration (OSHA)
* Employee Benefit (EB)

**Firms’ Leverage**

* Debt-to-Equity (DTE)
* Debt-to-Asset (DTA)

Firms Size

**Control Variable**

Figure 1: Theoretical Model

**DATA AND METHODOLOGY**

This study emphasized on the determinants that influence human capital disclosure in the financial sectors in Malaysia from 2013 to 2017. One of the method to measure the human capital disclosure is by using descriptive employee, training of employee, Occupational Safety and Health Administration, and employee benefit while firm’s performance and leverage are measured using Return on Equity and Return on Asset, Debt-to-Equity and Debt-to-Asset. Size of the firm is used as control variable to avoid data biasness in the study.

The sample used in this study is an annual data as of the financial sectors listed in BURSA Malaysia. The sample is a subset of the residents while the residents is a collection of all the elements of attentiveness in a study (Anderson, Sweeney and Williams; 2011). All the data required for independent variables such as the performance of firms and leverage can be obtained in the Data Stream in UNIMAS. This study uses descriptive analysis, content analysis, correlation analysis, and regression analysis to test and analyse the dependent variables and independent variables of this study. The content analysis methods are used to capture information on human capital in annual reports of nine (9) banks listed in Bursa Malaysia. Content analysis is an investigation technique to create legitimate interference as of the text to the settings of the use (Krippendorff, 2004). This study uses this method to generate the corporate social reports under human capital disclosure. In addition, it is a rapidly growing study technique in quantitative study (Neuendorf, 2002). Besides that, Weber & Robert (1984) states that content analysis is a way of coding texts or writing content to various groups or categories, depending on the selected criteria.

**RESULTS AND FINDINGS**

This study intends to investigate on the effects of human capital disclosure (HCD) to performance and leverage of Financial sector in Malaysia. This study uses descriptive employee (DOE), training of employee (TOE), Occupational Safety and Health Administration (OSHA), and employee benefit (EB) as dependent variables to describe HCD. Correspondingly, Return on Equity (ROE) and Return on Asset (ROA) are used as proxies for firms’ performance while Debt-to-Equity (DTE) and Debt-to-Asset (DTA) are the proxies for firms’ leverage.

**Descriptive Analysis**

Based on Table 1, the minimum and maximum value for the first independent variable, ROE is 0.0039 and 1.2892 percent respectively while the mean for ROE is 0.1405 and standard deviation of 0.1498. The second independent variable, ROA, the minimum and maximum value is 1.3652 and 96.6961 percent respectively while the mean for ROA is 12.9710 and standard deviation of 9.7365. The third independent variable, DTE, the minimum and maximum value is 0.3652and 86.6961 percent respectively while the mean for DTE is 11.7461 and standard deviation of 8.9514. Next, the minimum and maximum value for DTA is 0.1367 and 0.9508 percent respectively while the mean for DTA is 0.8684 and standard deviation of 0.1609. SIZE has a minimum and maximum value of 6.9534 and 8.8833 respectively while the mean is 8.0256 with standard deviation of 0.4732.

Table 1: Descriptive Analysis of Independent Variable

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variables | ROE | ROA | DTE | DTA | SIZE |
| Mean | 0.1405 | 12.9710 | 11.7461 | 0.8684 | 8.0256 |
| Median | 0.1304 | 11.4960 | 10.4884 | 0.9105 | 8.0344 |
| Maximum | 1.2892 | 96.6961 | 86.6961 | 0.9508 | 8.8833 |
| Minimum | 0.0039 | 1.3652 | 0.3652 | 0.1367 | 6.9534 |
| Std. Dev. | 0.1498 | 9.7365 | 8.9514 | 0.1609 | 0.4732 |
| Sum | 13.9088 | 1284.131 | 1162.865 | 85.9683 | 794.5318 |
| Observations | 99 | 99 | 99 | 99 | 99 |

***Content Analysis***

This study uses descriptive employee, training of employee, Occupational Safety and Health Administration (OSHA), and employee benefit to describe on human capital disclosure, the dependent variable.

Table 2: Result Content Analysis of Human Capital Disclosure

|  |  |  |
| --- | --- | --- |
| Human Capital Disclosure (HCD) | Number of Disclose | Percentage (%) |
| Descriptive of Employee (DOE) | 19 | 7 |
| Training of Employee (TOE) | 86 | 31 |
| Occupational Safety and Health Administration (OSHA) | 77 | 28 |
| Employee Benefit (EB) | 96 | 34 |

Table 2 shows the higher percentage number of disclose is 96 with 34% which is employee benefit. Followed by training of employee and Occupational Safety and Health Administration (OSHA) which are 86 number of disclose with 31% and 77 number of disclose with 28%. As the lower percentage is descriptive of employee 7% with 19 number of disclose.

**Correlation Analysis**

Correlation analysis is used to measure the relationship among two or more variables. It is measure the scale to determine how strong for the two variables are linked. Correlation using the range from -1.00 to +1.00 (-1 < r < +1). Based on the result in Table 3, there is negative correlation but it is not perfect correlation because the value of the correlation drops between -1 to 0 (-1 < r < 0). It shows that the variables have tendency to decrease and also have propensity to increase. The nearer the correlation value to -1, the stronger the tendency.

Table 3: Correlation Analysis

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **DOE** | **TOE** | **OSHA** | **EB** | **SIZE** | **ROE** | **ROA** | **DTE** | **DTA** |
| **DOE** | **1.000** | 0.189 | 0.137 | 0.086 | 0.082 | -0.117 | -0.128 | -0.128 | -0.169 |
| **TOE** | 0.189 | **1.000** | 0.368 | 0.106 | 0.168 | 0.114 | 0.071 | 0.089 | 0.051 |
| **OSHA** | 0.137 | 0.368 | **1.000** | 0.047 | 0.293 | -0.208 | -0.142 | -0.139 | -0.044 |
| **EB** | 0.086 | 0.106 | 0.047 | **1.000** | 0.077 | 0.043 | -0.047 | -0.050 | -0.050 |
| **SIZE** | 0.082 | 0.168 | 0.293 | 0.077 | **1.000** | 0.047 | 0.100 | 0.110 | 0.477 |
| **ROE** | -0.117 | 0.114 | -0.208 | 0.043 | 0.047 | **1.000** | 0.828 | 0.819 | 0.140 |
| **ROA** | -0.128 | 0.071 | -0.142 | -0.047 | 0.100 | 0.828 | **1.000** | 0.996 | 0.311 |
| **DTE** | -0.128 | 0.089 | -0.139 | -0.050 | 0.110 | 0.819 | 0.996 | **1.000** | 0.367 |
| **DTA** | -0.169 | 0.051 | -0.044 | -0.050 | 0.477 | 0.140 | 0.311 | 0.367 | **1.000** |

***Regression Analysis***

The result for the hypothesis based on three types which are none, fixed and random. The dependent variable measured the hypothesis result with the five percent of the significant level. Therefore, the hypothesis results of the dependent are as follows:

$$HCDI= β\_{0}+β\_{1}(ROE)+β\_{2}(ROA)+β\_{3}(DTE)+β\_{4}(DTA)+β\_{5}(SIZE)+ε$$

**Hypothesis Results and Discussion**

The tables below indicate the hypothesis result of the impact of human capital disclosure described by descriptive employee, training of employee, Occupational Safety and Health Administration (OSHA), and employee benefit on ROE ,ROA, DTE and DTA.

*Descriptive of Employee (DOE)*

The regression model acquired in Table 4 shows there is positive relationship among debt-to-equity as well as size then there is negative relations amongst return on equity, return on asset as well as debt-to-asset. This reflect that holding the factors constant a unit increase one unit of the variable gained except for return on equity, return on asset also debt-to-asset in the regression model into following the upsurge of the descriptive of employee in financial sectors in Malaysia. This is contravening with the hypothesis of this study which anticipate a significant correlation between return on equity, debt-to-equity, return on asset, debt-to-asset and size, and descriptive of employee. This is because both the size of performance which is return on equity as well as return on asset are in the negative relationship with descriptive of employee. Therefore, regression model gained for this study on DOE is as follow:

DOE = -0.6240 + (-0.3382) + (-0.1432) + 0.1615 + (-1.3226) + 0.2458 + ε

Table 4: Hypothesis Result (DOE)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Coeff. | Std. Error | t-Statistic | Prob. |
| ROE | -0.3382 | 0.4728 | -0.7152 | 0.4762 |
| ROA | -0.1432 | 0.0692 | -2.0697 | 0.0413 |
| DTE | 0.1615 | 0.0771 | 2.0939 | 0.0390 |
| DTA | -1.3226 | 0.4380 | -3.0190 | 0.0033 |
| SIZE | 0.2458 | 0.0990 | 2.4816 | 0.0149 |
| C | -0.6240 | 0.6676 | -0.9346 | 0.3524 |

*Training of Employee (TOE)*

The regression model acquired in Table 5 shows there is positive relationship among return on equity, debt-to-equity as well as size while return on asset and debt-to-asset having a negative relationship with training of employee. This reflect that holding the factors constant a unit increase one unit of the variable gained except for return on asset also debt-to-asset in the regression model into following the upsurge of the training of employee in financial sectors in Malaysia. This is contravening with the hypothesis of this study which anticipate a positive correlation between return on equity, return on asset, debt-to-equity, debt-to-asset and size, and training of employee. This is because this study uses two measurements for firm performance and firm leverage which are return on equity as well as return on asset for performance, and also debt-to-equity and debt-to-asset for leverage. Thus, the regression model gained for this study is as follow:

TOE = -0.1419 + 0.3280 + (-0.2140) + 0.2366 + (-1.0724) + 0.2359 + ε

Table 5: Hypothesis Result (TOE)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Coeff. | Std. Error | t-Statistic | Prob. |
| ROE | 0.3280 | 0.3933 | 0.8340 | 0.4064 |
| ROA | -0.2140 | 0.0575 | -3.7178 | 0.0003 |
| DTE | 0.2366 | 0.0641 | 3.6876 | 0.0004 |
| DTA | -1.0724 | 0.3644 | -2.9431 | 0.0041 |
| SIZE | 0.2359 | 0.0824 | 2.8628 | 0.0052 |
| C | -0.1419 | 0.5553 | -0.2555 | 0.7989 |

*Occupational Safety and Health Administration (OSHA)*

The regression model acquired in Table 6 shows there is positive relationship among debt-to-equity and size however there is negative relations amongst return on equity, return on asset and debt-to-asset. This reflect that holding the factors constant a unit increase one unit of the variable gained except for return on equity, return on asset and debt-to-asset in the regression model into following the upsurge of Occupational Safety and Health (OSHA)in financial sectors in Malaysia. This is contravening with the hypothesis of this study which anticipate a significant correlation between return on equity, return on asset, debt-to-equity, debt-to-asset and size, and Occupational Safety and Health (OSHA). This is because this study uses two measurements for firm performance and firm leverage which are return on equity as well as return on asset for performance, and also debt-to-equity and debt-to-asset for leverage. Hence, the regression model gained for this study as follow:

OSHA = -1.5224 + (-0.9824) + (-0.1247) + 0.1479 + (-1.2593) + 0.4251 + ε

Table 6: Hypothesis Result (OSHA)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Coeff. | Std. Error | t-Statistic | Prob. |
| ROE | -0.9824 | 0.4719 | -2.0817 | 0.0401 |
| ROA | -0.1247 | 0.0691 | -1.8050 | 0.0743 |
| DTE | 0.1479 | 0.0770 | 1.9217 | 0.0577 |
| DTA | -1.2593 | 0.4372 | -2.8802 | 0.0049 |
| SIZE | 0.4251 | 0.0989 | 4.2991 | 0.0000 |
| C | -1.5224 | 0.6663 | -2.2847 | 0.0246 |

*Employee Benefit (EB)*

The regression model acquired in Table 7 shows there is positive relations among return on equity, size and debt-to-equity while return on asset and debt-to-asset having a negative relationship with employee benefit. This reflect that holding the factors constant a unit increase one unit of the variable gained except for debt-to-asset and return on asset in the regression model into following the upsurge of the employee benefit in financial sectors in Malaysia. This is contrary to the hypothesis of this study which anticipate a significant correlation between return on equity, debt-to-equity, return on asset, debt-to-asset and size, and employee benefit. This is because this study uses two measurements for firm performance and leverage of firm which are return on equity and return on asset for performance, and also debt-to-equity and debt-to-asset for leverage. Therefore, the regression model gained for this study as follow:

EB = 0.6909 + 0.2855 + (-0.0096) + 0.0059 + (-0.0964) + 0.0471 + ε

Table 7: Hypothesis Result (EB)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Coeff. | Std. Error | t-Statistic | Prob. |
| ROE | 0.2855 | 0.215 | 1.3303 | 0.1867 |
| ROA | -0.0096 | 0.0314 | -0.3059 | 0.7603 |
| DTE | 0.0059 | 0.0350 | 0.1684 | 0.8667 |
| DTA | -0.0964 | 0.1989 | -0.4846 | 0.6291 |
| SIZE | 0.0471 | 0.0450 | 1.0468 | 0.2979 |
| C | 0.6909 | 0.3031 | 2.2796 | 0.0249 |

The following are the discussion of the result based on the above findings:

**H1: The performance of firm in the financial sector in Malaysia has a positive impact on their human capital disclosure.**

The empirical evidence found in the relation among disclosure and performance of firm is mixed. Botosan (1997) found positive effects between disclosure and firm of performance. Some studies such as Cerf (1961), Singhvi and Desai (1971), Wallace and Naser (1995), and Alam and Deb (2010) also found positive relations between profitability and the extent of disclosure. On the other hand, (Firer and Williams, 2005) state that they did not discover any relationship between human capital disclosure and performance of firms. Resemblance found inconsequential relationship among them by Brammer and Pavelin (2006) and Hossain and Hammami (2009). This study estimation that performance of firms should have positive influence on the level of human capital disclosure. Based on table VIII, the decision for firm performance is mixed because the probability of lower and higher than 0.05 are equal. Some of them are accepted because it has lower probability than 0.05 which are return on equity with training of employee, return on equity with Occupational Safety and Health Administration (OSHA), return on asset with descriptive of employee, and return on asset with training of employee.

**H2: Firms leverage in the financial sector in Malaysia has a positive impact on their level of human capital disclosure**

Ibadin (2016) finds that leverage is positive and significant in relation to disclosure of intellectual property structural. Fernado and Ariovaldo (2010) found that voluntary disclosure was positively influenced by firm leverage among Brazil-listed firms while Saad and Salleh (2010) which is the same year as Fernado and Ariovaldo have found that leverage has positively related to human capital reporting. Other researcher also found a significant relation between levels of disclosure and leverage including Hossain et al. (1994), Malone et al. (1993) and Courtis (1978). Although there are researchers such as Wang et al. (2003) found that no significant impact of leverage of firm on voluntary disclosure of listed firms in China, most of the results are quite positive when linking firm leverage to the voluntary disclosure. Thus, the study guesswork on leverage of financial sector firms has a significant impact on their human capital disclosure. This decision is mostly accepted because the probability is lower than the 0.05 except debt-to-equity with occupational safety and health administration (OSHA), debt-to-equity with employee benefit and debt-to-asset with employee benefit which has higher than 0.05.

**CONCLUSION**

Human capital disclosure is one of the part in firms’ activity that needs to fulfil. It is because human capital constantly gives big impression through reputation, operation and the abilities of the companies. The results conclude that the capacity of human capital disclosure depends on the performance and leverage of the firm. Based on the content analysis, among the human capital characteristics that described the disclosure exercise, employee benefit has the highest value on human capital disclosure for Financial sector in Malaysia followed by training of employee, Occupational Safety and Health Administration (OSHA) while the lowest value is descriptive employee. In other words, there is significant positive impact on Financial sector’s performance and leverage on human capital disclosure. This is because the result of regression analysis shows that the independent variables take positive effects even there is not consistent in return on asset, return on equity, and debt-to-equity. Besides, for correlation, the results show that there is negative correlation but not perfect because the value of the correlation stays between -1 to 0 (-1 < r < 0). It is due to one variable have tendency to decrease and another variable tends to increase such as leverage will decrease but human capital disclosure will increase.

However, this study was not without limitations**.** This study intends to look only the human capital disclosure in annual report of the financial sector in Malaysia from 2007 until 2017. There are some limitations occurs in this study such as limited company data. As a result, the researcher has to carry out this study period for only 10 years from 2007 to 2017 as there is unavailability of companies’ data for several years. Additionally, due to the limited number of financial sectors and only focusing on banks that provides by Bursa Malaysia, this study has only selected 9 banks that listed on Bursa Malaysia for its assessment. In short, the can only perform some basic tests on dependent and independent variables due to time constraints. Moreover, due to limited time, this study focuses only on several factors that affect human capital disclosure such as performance of firm, leverage of firm, and size of firm. Other than that, this study also measures the descriptive of employee, training of employee, Occupational Safety and Health Administration (OSHA), and employee benefit to human capital determinants. The discovery of this study will influenced the result of study and theory that the previous scholars have done. Some of previous researchers may not be supported in this study. This study only include one control variable i.e. size of the firm and this could create biasness to the test. Therefore, there are some limitations in this study which may need to be enhanced by the subsequent researchers. Due to the main problem of this study is that there is no data for a certain date of time, the future researchers need to find other alternatives to overcome these problems by extending the study period to ten years and include the latest data from 2018 to 2020 for more relevance and reliable results. Other than that, future research should test some independent variables to measure how they affect human capital disclosure. The elements such as board size, growth or other factors should be included as control variables to ensure accuracy in determine the value of the independent variables of this study. Last but not least, it is encouraged for the future researchers to develop into other sectors. For example, to examine human capital disclosure in other sectors in Malaysia such as manufacturing, technology, telecommunication and other sectors.

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