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The impact of corporate attributes on voluntary HR disclosure practices: a study of Indian corporate sector

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Abstract

Purpose – The objective of the present study is to examine the impact of corporate characteristics on human resource disclosures in Indian corporate sector.

Design/methodology/approach – The study investigates the annual reports of 336 Indian listed companies of NSE-500 Index. The data are collected for the latest time period which contains eight years (FY 2012–13 to 2019–2020). The data of independent variables (company characteristics) have collected from annual reports and CMIE ProwessIQ Database of the Indian listed companies. The data of human resource dissclosure index (HRDI) is collected form annual reports using content analysis approach. For analysis purpose, descriptive statistics, Pearson's correlation matrix, Two-way Least Square Dummy Variable (LSDV) regression model have been used.

Findings – The outcomes show that net sales, market capitalisation, ROTA, return on equity, quick ratio, PAR have significant positive and age, profit after tax, current ratio have significant negative effect on HRDI. On the contrary, debt-equity ratio, earnings per share, type of auditor, listing status have insignificant positive and net fixed assets, promoter's holding have insignificant negative effect on HR disclosures of the selected Indian listed companies.

Originality/value – The HRDI constructed in the present study helps the Institute of Chartered Accountants of India (ICAI) and other regulatory bodies to make some standards regarding voluntary HR disclosure practices in Indian corporate sector.

Keywords Annual report, Human resource disclosure index, Content analysis, Corporate characteristics, Indian corporate sector

Paper type Research paper

1. Introduction

Financial statements are prepared by all the companies. Mainly, three financial statements are prepared by companies such as Balance Sheet, Profit and Loss Account and Cash Flow Statement. In present business scenario, in addition to these statements, various financial and nonfinancial information are also required by stakeholders for taking necessary decisions as compared to past when these statements are required by owner only. Due to innovations, there is a need to manage the organizations in new ways. However, the disclosure of companies has not had the capacity to keep in pace with these innovations.

Financial statements do not provide the adequate information to the stakeholders and there is also lack of recognition of intangible asset such as human resource (HR). So, a need of full disclosure is arising. The era of transparency and transnational has arrived.

Both theorists and practitioners try to remove the shortcomings of traditional reporting. Full disclosure of information helps to win the public confidence. Investors also regularly want to put resources into organizations which make reasonable and sufficient disclosure. Improvements in willful announcing are being invited in view of their ability to decrease existing data asymmetries among investors and the executives. Voluntary disclosure helps to reduce information asymmetry between management and stakeholders. In the present competitive era, companies expand their business in international markets and international markets demand huge amount of information to improve the transparency of corporate disclosure. So, the companies from developing countries expand their disclosure level to gain the confidence of international investors.

Disclosures of HR information have advantages and disadvantages for the companies. It helps in better management of business activities. It is also risky for an organization if sensitive information uncovers by the organization. But, the benefits of HR disclosure are more to the organization and it adds value to it. The field of HR disclosure deserves to be accounted and reported through the annual reports of the companies to make it more effective and meaningful.

In an emerging capital market, the corporate disclosure is seen as an imperative for both developed and developing nations. There is a massive range of disclosure and it may differ from non-disclosure to fully disclosure (Elliott and Jacobson, 1994). The disclosure consists of two types, such as mandatory and voluntary disclosure. Mandatory disclosure is disclosed by companies to compliance with statutory regulations. Voluntary disclosure refers to the disclosure which is not mandated. The American Accounting Association (AAA) defines disclosure as the measure of information from the private domain (that is inside information) into the public domain. Such a conversion of private information into public information can take place in financial statements or through non-accounting channels. Organizations try to disclose more information voluntarily in their annual reports as it is the opportunity for them. By disclosing greater amount of information, they have received different benefits such as improve marketability of their shares, reduce capital costs, increasing confidence of the investors (Meek *et al.*, 1995). And the corporate disclosure is imperative to stakeholders for their investment purposes (Iatridis and Alexakis, 2012; Pandey and Sahu, 2019).

Additionally, the voluntary disclosure of information by a company is like a bridge to fill the information gap between the stakeholders and a company (Sultana *et al.*, 2022). By voluntary disclosure, they also enhance the credibility of their disclosure among the different stakeholders. Therefore, due to the significance of voluntary disclosure, different accounting and regulatory bodies make their attention on the voluntary disclosure provided by the corporates. The extent of voluntary disclosure provided by the companies varies from firm to firm (Iatridis and Alexakis, 2012). There are different factors that are playing very crucial role in determining the level of voluntary disclosures of the firms (Nazli, 2008). It is true that mandatory disclosure is the statutory requirements of the firms. On the contrary, the voluntary disclosure is the will of the companies. Hence, there is no incentive for the companies to disclose information voluntarily in their annual reports. Therefore, it is necessary to study the extent of voluntary disclosure and different factors that are affecting the levels of voluntary disclosures of the firms.

Internationally, there are numerous studies (Cerf, 1961; Cooke, 1992; Wallace *et al.*, 1994; Meek *et al.*, 1995; Haniffa and Cooke, 2002; Leventis and Weetman, 2004; Iatridis and Alexakis, 2012) that deals in voluntary disclosure practices of the companies. However, there are very few studies that are found in the context of Indian corporate sector. Therefore, the present study is conducted in-depth with a larger sample size of NSE-500 Index.

The contribution of the present study can be summarized as follows. *Firstly*, the study adds to the literature of HR disclosure by focusing in the context of emerging market, India. It uses the supports of annual reports to study the HR disclosure practices of the Indian corporate sector. *Secondly*, the outcomes of descriptive statistics show that selected companies disclose low the level of HR information that induces the managers for indulging in proper management of HR related activities, to find the important HR indicators and proper presentation of the HR-related information. *Thirdly*, the human resource disclosure index (HRDI) constructed in the present study may be utilized as a benchmark to Indian firms to enhance their HR disclosure in future. *Fourthly*, the HR disclosure index constructed in the study also helps to the regulatory bodies such as The Institute of Chartered Accountants of India to make standards for making the HR disclosure practices mandatory for Indian corporates.

2. Background

Due to globalization and to improve trust in accounting information system, there is an emergence need of better disclosure practices. *Annual report is a regular corporate disclosure media that tells about the progress and future plans of a company*. The concept of disclosure is changing over a period of time. Now-a-days, companies also emphasize on the qualitative aspects of information which is relevant for the purpose of decision-making. HR disclosure is a step ahead in this direction.

The American Accounting Association (AAA) defines disclosure as the measure of information from the private domain (that is inside information) into the public domain. Such a conversion of private information into public information can take place in financial statements or through non-accounting channels.

HR disclosure is the process of identifying and reporting the investments made in the human resources of an organization that are presently not accounted for in the conventional accounting practices. The HR disclosure practices are followed by the corporate sector in quantitative (HR accounting) as well as in qualitative (succession planning and career planning, etc.) form.

The rationale behind undertaking this study is that there are limited published research studies on HR disclosure practices in India. The costliest investment of the organization is the human asset, but they are treated as worthless when it comes to decision-making. Human assets are devalued when the pressure of competition causes restructuring or downsizing. The value of a public organization's stock may change if human assets, which are currently expensed based on Generally Accepted Accounting Principles (GAAP), would be capitalized. Earnings per share may increase. Corporate taxes may affect net income. Gross National Product/Gross Domestic Product (GNP/GDP) may get affected if income tax increases.

In India, the concept of HR measurement and disclosure has not yet received the kind attention like the other areas of accounting research. There are different studies which are dealing with some aspects of HR disclosure practices but there are very few companies who have coverage and focus on these studies. Basically, majority of the research studies surveyed are solely questionnaire-based studies or have either dealt with the case studies of old companies. In the era of globalization and the emergence of the knowledge-based industry, there is a need to give a fresh look on HR measurement and reporting practices in India with increasing emphasis on HR. Therefore, there is a gap found in terms of both literature and research relating to HR disclosure practices in India. So, the present study proposes to bridge the gap in the literature and research related to HR measurement and disclosure practices in India. The current study also proposes to give useful insights on HR disclosure practices in Indian corporate sector.

3. Theoretical framework

There are different theories that are explaining why a company discloses the information voluntarily in their annual report. The study of Hope (2003) documented that disclosure is inherently a complex phenomenon and a single theory can only give a partial explanation. According to accounting theory, capital market provides the benefits to the firms when a firm is more transparent regarding their activities and discloses the adequate amount of information to the investors for predicting their future performance. To provide the adequate disclosure, the one and only mechanism for this is voluntary disclosure. Through this, a firm reduces its capital costs, information asymmetries and increases the wealth of the shareholders. But, the disclosure is not costless. According to signaling theory, originally proposed by Akerlof (1970) and developed by Spence (1973), firms through voluntary disclosure are providing signal to the market that they are working in the best interest of the stakeholders. Through this, they avoid the negative interpretation from the market participants. The capital need theory documented that when firms are in need of external finance, they reveal greater information in their annual reports. Because external finance is available at a cheaper price (Firth, 1980), if, companies want to gain some economic benefits then they also disclose more information voluntarily as suggested by the information cost theory (Cooke, 1992). According to the stakeholder theory, *companies should treat all stakeholders fairly* (O'Dwyer, 2002). So, for satisfying the information demand of different stakeholders, companies try to disclose more information in their annual reports. Another theory is the legitimacy theory, according to this, there is a responsibility on the companies to meet the expectation of the society. Thus, firms have the motivation to disclose greater information for meeting the society's expectation. Hence, the above-mentioned theories are providing the motivation to the companies to disclose greater amount of information in their annual reports to meet their desirable targets.

4. Literature review and hypotheses development

The literature on HR measurement and reporting can be divided into three categories consistent with the study of Abeysekara and Guthrie (2004). The first category is related to the various methods and techniques used by companies for measuring and reporting of HR information in their annual reports. These techniques are used for measuring the cost, value and other information of HR (Lev and Schwartz, 1971). Conversely, these methods have little acceptance in the corporate world because of subjectivity involved in the methods of HR measurement and reporting except for Lev and Schwartz model, 1971, which is used by most of the companies with some modification. The second category is related to analyzing the effect of HR accounting disclosure in managers and investors decision-making process (Ellingson and Wambsguass, 2001). The third category is related to identifying the different ways through which the HR information is communicated by the companies using content analysis of annual reports (Fontana and Macagnan, 2013). The present study falls in the third category to investigate the HR disclosure practices across industries. Further, this study is aimed to study the influence of corporate characteristics on HR disclosure practices using content analysis of annual reports in India.

The presents study uses the corporate characteristics as independent variables. These corporate characteristics have been chosen on the basis of existing literature such as company age (Kumar and Garg, 2019), company size (Singhvi and Desai, 1971), leverage (Hossain *et al.*, 1994), ownership concentration (Hossain *et al.*, 1994), profitability (Wallace and Naser, 1995), liquidity (Aggarwal, 2021b), type of auditor (Aggarwal, 2021a), total number of pages of an annual report (Aggarwal, 2021a) and listing abroad (Hossain *et al.*, 1994).

Table 1 presents the list of explanatory variables.

Company age: The study of Owusu-Ansah (1998) depicted that the levels of voluntary disclosures of companies is influenced by its age, where age is taken as a proxy for the stage of development and growth of a company. There are three arguments for this. *Firstly*, if younger companies disclose the information such as capital expenditure, research expenditure and product development expenditure then they suffer from competitive disadvantage. *Secondly*, the cost of accumulating, analyzing and circulating information is more in younger companies as compared to older companies. *Thirdly*, younger companies have no historical record for disclosing to public. So, they have less information to disclose. The prior literature (Garg, 1992; Kumar and Garg, 2019; Aggarwal, 2021a) found positive association between age and extent of voluntary disclosures. Thus, the first hypothesis is framed as follows:

H1. There is a positive association between age and HRDI of the Indian listed companies.

Company size: The firm size is an influential factor that determines the levels of voluntary disclosures of a firm, be it HR disclosure, Human Capital (HC) disclosure, corporate social responsibility (CSR) disclosure and Intellectual Disclosure (IC) disclosure (Singhvi and Desai, 1971). As the company is in growing stage the production cost is decreased in comparison to small firms (Cerf, 1961; Singhvi and Desai, 1971; Cooke, 1989). It is argued that the people employed in a company, substantial part of goods and services produced and consumption of raw material in a country are accounted by larger companies. Thus, they have major influence on the economy (Wallace and Naser, 1995). So, these companies are scrutinized by the government and firms try to reduce such pressure by disclosing more and more information voluntarily in their annual reports. According to the study of Raffournier (1995), if small firms reveal the key data of their organization they will face the problem of competitive disadvantage. Apart from this, larger companies are willing to reveal greater data because the cost of accumulating, analyzing and circulating information are very less as compared to smaller firms. The study of Watts and Zimmerman (1983) argued that shareholders of larger companies are widely scattered. Therefore, additional disclosure is required for reducing the agency cost. Another study of Botosan (1997) argued that larger companies need to raise funds from international markets due to their lower cost of capital. So, this is another motive for larger companies to increase the levels of voluntary disclosures. The study of Depoers (2000) found that larger companies have more skilled persons in their companies and sophisticated management reporting systems. This enables the companies for providing the greater amount of information voluntarily. The study of Oyelere *et al.* (2003) found that large companies have different product range and more complex distribution networks. So, there is a demand for more complex and better management information systems, and databases for control purposes. The study of Alam and Deb (2010) found that the size of a company greatly influences the HC disclosure practices of Bangladeshi companies. The earlier literature on [Hong Kong (Wallace and Naser, 1995), New Zealand (Hossain *et al.*, 1995), USA (Singhvi and Desai, 1971)] and India (Aggarwal, 2021b) documented a positive association between firm size and levels of voluntary disclosures. Hence, the next hypothesis is written as:

H2. There is a positive association between size of a company and HRDI of the Indian listed companies.

Leverage: The agency theory is used to establish the relationship between leverage and voluntary disclosure practices of the companies. The agency cost is arising by acquiring the

Category of variable	Independent variable
Structural	Company Age, Company Size, Leverage, Ownership Concentration, Type of Auditor
Performance	Profitability, Liquidity Ratio
Market	Listing Abroad, Industry Type
Other	Pages of an Annual Report

Source(s): Compiled from Literature Review

Table 1.
Explanatory variables

debt in their capital structure by a firm. Subsequently, the conflicts are arising between shareholders and debt-holders (Berger and Bonaccorsi di Patti, 2006). As a result, the firm's value is decreased and monitoring cost is increased. Thus, a company try to reveal more and more information in their annual report to reduce the agency cost, for increasing the confidence of the debt-holders about their financial structure (Courtis, 1978), for increasing the firm's value and for reducing the monitoring cost of a company (Haniffa and Cooke, 2002). It further depicted a positive relationship between leverage and levels of voluntary disclosures. High levered firms also come under the scrutiny of debt-holder. So, firms try to reduce such pressure by disclosing more voluntary information. Other studies (Hossain *et al.*, 1994) also found a positive relationship between leverage and levels of voluntary disclosures. However, the studies of Aggarwal (2021a), Aggarwal (2021b) exhibits insignificant association between leverage and voluntary disclosures. Thus, the third hypothesis is framed as:

H3. There is a positive association between leverage and HRDI of the Indian listed companies.

Ownership concentration: Ownership concentration means majority of the shares of a company is held by few people. According to agency theory, due to separation of management and ownership, the problem of information asymmetry is raised. As a result, the agency cost is rising. The agency cost is higher in widely held firms. Therefore, by revealing greater amount of data in their annual reports, they provide the signal that they are working in the best interest of the shareholders. The closely held firms are disclosing the less information in their annual reports, because major investors got the information through their private meetings. Hence, there is less motivation for greater disclosure of closely held firms (Hossain *et al.*, 1994). The earlier literature (Hossain *et al.*, 1994; Aggarwal, 2021a) documented negative relationship between both these variables. Hence, the next hypothesis is written as:

H4. There is a negative association between ownership concentration and HRDI of the Indian listed companies.

Profitability: The managers of the large profitable firms disclose more information in their annual reports to defend their financial performance (Cerf, 1961). By doing this, they also provide good signal to the market. The study of Alsaeed (2006) says that companies promote the positive sense regarding profitability of a company through revealing more and more information to the public. The agency theory argues that managers of large profitable companies disclose greater amount of information in their annual reports to obtain the personal advantage such as compensation. Conversely, less profitable companies also disclose the greater amount of information to explain the reasons of negative performance (Leventis and Weetman, 2004). The relationship is mixed between profitability and voluntary disclosure levels of a company. Earlier studies found positive association (Cerf, 1961; Singhvi and Desai, 1971; Wallace and Naser, 1995; Aggarwal, 2021a). Thus, the fifth hypothesis is postulated as follows:

H5. There is a positive association between profitability and HRDI of the Indian listed companies.

Liquidity: Liquidity refers to the ability of a company to convert their assets in cash to meet their short-term liabilities. Liquidity is seen as the significant component for assessment the short-term paying capacity of a company. If a firm failed in meeting their short-term commitments, it means that the company is not able to pay interest and principal amount in a timely manner. This situation is not beneficial for the lenders and the extreme case is bankruptcy. So, the firms with high liquidity reveal more information to show their better performance (Wallace *et al.*, 1994). The study of Cooke (1989) argued that companies with high liquidity unveil the more information voluntarily than the firms suffering from low liquidity. Another study of Wallace *et al.* (1994) found that low liquidity firms also disclose the greater amount of information to aware the shareholders about the internal problems of the company. The study of Aggarwal (2021b) documented that there is a significant positive association in Dutch firms, while this association is negative in UK firms. Hence, the next hypothesis is written as follows:

H6. There is a positive association between liquidity and HRDI of the Indian listed companies.

Type of auditor: It is said that auditing is a device through which a company increases the reliability of the information which is disclosed through annual reports. The auditor type impacts the disclosure practices of a firm. Large audit firms disclose greater information as compared to small auditing firms. Because they do not depend on few clients, they have a wide list of clients. Therefore, they influence their clients for greater disclosure in their annual reports. Auditing is a device through which the credibility of financial statements has been improved. It helps to reduce the information gap as well as agency cost. According to the study of Raffournier (1995), auditors play a key role in disclosure practices of their clients. In spite of the facts, the outcomes are mixed. The earlier studies postulated that large audit firms have the power to influence their clients for greater voluntary disclosure for the purpose of improving their image in the market (Singhvi and Desai, 1971; Aggarwal, 2021a). Thus, the seventh hypothesis is framed as follows:

H7. There is a positive association between type of auditor and HRDI of the Indian listed companies.

Total number of pages of an annual report: The shareholders are large in number and generally spread throughout the country. So, it is not possible for the them to deal with daily affairs of a company. That is why shareholders appoint the board of directors to manage daily affairs of a company on behalf of the shareholders. Hence, there is a separation of ownership and management in a company. Shareholders are interested to know about the various financial and non-financial aspects related to the company and annual reports are the best medium through which the information is communicated to these parties. Mandatory information is the minimum amount of information which is disclosed by the company as per regulatory requirements. But, mandatory information disclosed by the companies is not sufficient to take various decisions by the various stakeholders. Annual report's pages show that to what extent the information is revealed by the firms. When pages increase the information is automatically increased. The study of Aggarwal (2021a) and Aggarwal (2021b) found significant positive association between both the variables. Hence, the next hypothesis is postulated as:

H8. There is a positive association between total number of pages of an annual report and HRDI of the Indian listed companies.

Listing abroad: Generally, it is said that the companies which are listed on international stock exchanges have greater amount of information disclosure as compared to those companies whose operations are restricted to domestic country only. The study of Gray *et al.* (1995) documented that multinational firms revealed more information voluntarily to overcome the uncertainty of the investors and their cost of capital. Cooke (1989) found that non-listed companies disclose lesser amount of information voluntarily than the multi-listed companies. The study of Meek and Gray (1989) argued that multinational European companies listed on London Stock Exchange disclose more information voluntarily than required by London Stock Exchange. The another study of Hossain *et al.* (1994) depicted that multinational Malaysian companies listed on London Stock Exchange disclosed greater amount of information than the companies listed on local stock exchanges. However, the study of Aggarwal (2021a) found a negative association between both the variables.

The agency and signaling theories also support this variable. In accordance to the agency theory, multinational companies face more agency problems. So, by disclosing greater amount of information voluntarily, the agency cost is reduced. In accordance with the signaling theory, the company's listing status to stock exchange provides the signal to the various shareholders about the financial strength of a company. Therefore, companies try to disclose higher amount of information in their annual reports for the shareholders. Thus, the tenth hypothesis is framed as:

H9. There is a positive association between listing abroad and HRDI of the Indian listed companies.

Summary of variables are presented in Table 2.

5. Research methodology

The present study investigates the annual reports of 336 listed companies of NSE-500 Index (Tables 3 and 4). The data are collected for the latest time period which contains eight years

Category of variable	Independent variable	Proxy	Expression
Structural	Company Age	Maturity of the company since its incorporation year	AGE
	Company Size	Net Fixed Assets	NFA
		Net Sales	NS
		Market Capitalization	MC
	Leverage	Debt-Equity Ratio	DER
	Ownership Concentration	Promoter's Holding	PH
	Type of Auditor	Big4 – 1, Other – 0	TOA
Performance	Profitability	Profit after Tax	PAT
		Return on Total Assets	ROTA
		Return on Equity	ROE
		Earnings Per Share	EPS
	Liquidity	Current Ratio	CR
		Quick Ratio	QR
Market	Listing Abroad	Europe (London or Luxemburg) or America (NYSE or NASDAQ) – 1, other – 0	LS
	Industry Type	Dummy	Industry Type
Other	Total number of Pages of an Annual Report	Pages of an Annual Report	PAR

Source(s): Compiled from Literature Review

Table 2. Summary of independent variables

Sample	Indian companies (NSE-500 index)
Indian Companies	500
Less: belongs to Banking and Financial sector	(79)
Whose annual reports are not available on company's website	(39)
Follows Accounting Year	(45)
Data on CMIE ProwessIQ Database are not available	01
Final Sample	336

Source(s): Compiled from CMIE ProwessIQ Database

Table 3. Criteria for selecting the sample

S. No.	Industry sector	Number of companies	% Age
1	Automotive	18	5.36
2	Cement/Construction	20	5.95
3	Chemicals	29	8.63
4	Conglomerates	7	2.08
5	Cons Durable	5	1.49
6	Cons Non-Durable	11	3.27
7	Engineering	32	9.52
8	Food and Beverage	15	4.46
9	Manufacturing	26	7.74
10	Media	14	4.17
11	Metals and Mining	18	5.36
12	Oil and Gas	13	3.87
13	Pharmaceuticals	30	8.93
14	Retail/Real Estate	13	3.87
15	Services	21	6.25
16	Technology	21	6.25
17	Telecom	9	2.68
18	Tobacco	3	0.89
19	Utilities	13	3.87
20	Miscellaneous	18	5.36
Total		336	100.00

Source(s): Compiled from Moneycontrol website

Table 4. Industry sector-wise distribution of sample companies

(FY 2012–13 to 2019–2020). The data of independent variables (company characteristics) have been collected from annual reports and Center for Monitoring Indian Economy (CMIE) ProwessIQ Database of the Indian listed companies.

5.1 Dependent variable (HRDI)

The HRDI is utilized to collect the data of HR disclosures. It consists of 88 items (Annexure) which is segregated into nine components (Table 5). Annual reports of the selected companies are used to collect the data of HR disclosures using content analysis approach. In existing literature, the content analysis method is widely used in disclosure related studies. It is a technique through which the qualitative information is converted into quantitative information which makes logical conclusions. It is an acceptable method in social sciences, especially in corporate reporting studies (Krippendorff, 2004). There are two issues are

S. No.	Component of human resource disclosure index	No. of items
1	Human Resource Policy and Vision	12
2	General Information about Human Resource	12
3	Financial Information relating to Human Resource	15
4	Importance of Human Resource to the Organization	12
5	Human Resource Development	10
6	Employee's Health and Safety	6
7	Human Resource Relationship and Culture	11
8	Different Benefits/Assistance given to Employees	6
9	Employee's Engagement and Empowerment	4
	Human Resource Disclosure Index	88

Source(s): Compiled from Literature Review

Table 5. Detail of components of HRDI

involved in using of content analysis method, i.e. (1) what type of content should be analyzed and (2) how the extent of disclosure should be measured (Kang and Gray, 2009). The present study uses the annual reports through which content and extent of disclosure has been measured through unweighted index of disclosure.

In accounting research, there are two types of indexes that have been used for scoring of an item such as weighted index (Singhvi and Desai, 1971; Botosan, 1997) and unweighted index (Hossain *et al.*, 1995). However, most of the study used the unweighted index for scoring of an item. Hence, the present study has used unweighted method for scoring of an item. The annual reports of the companies are examined to find whether the particular item of disclosure has been disclosed or not by a particular company. Under unweighted index, a score of 1 is given if a particular item is disclosed by the company and 0 if an item is not disclosed (Garg, 1992; Garg and Verma, 2010; Kumar and Garg, 2019; Pareek *et al.*, 2019, 2020; Ben Abdallah and Bahloul, 2021; Vithana *et al.*, 2021; Aggarwal, 2022). Unweighted index provides the equal importance to all the items and is reduces the subjectivity involved in scoring of an item. The formula for calculating the HRDI is presented below:

$$\mathrm{HRDI}_{\mathrm{it}} = \frac{\text{Total score of individual company}\left(\text{of the } i^{th} \text{ company in year t}\right)}{\text{Maximum possible score obtainable}\left(\text{of the } i^{th} \text{ company in year t}\right)} \times 100$$

Where,

$\mathrm{HRDI}_{\mathrm{it}}$ = Human resource disclosure index of the ith company in year t; and

t = 1, 2, 3, ... 8.

5.2 Independent variables

The definition of the independent variables is given below:

5.2.1 Company age. There is a possibility that companies improve their disclosure practices with the passage of time. Hence, company age is measured through incorporation year of a company.

$$\text{Company age} = \text{Incorporation year of a company}$$

5.2.2 Company size. It is argued that the total number of people employed in a firm, substantial part of goods and services produced and consumption of raw material in a country are accounted by larger companies. Thus, they have major effect on the economy (Wallace and Naser, 1995). So, these companies are scrutinized by the government and companies try to lessen such pressure by disclosing more and more information voluntarily in their annual reports. The company size has been measured through various independent variables, namely, net fixed assets, net sales and market capitalization.

(1) *Net fixed assets:* Net fixed assets refer to the value after adjusting or deducting in gross fixed assets and cumulative depreciation in gross fixed assets. Net fixed assets are used to calculate the profit by a business concern. It helps to create value for the business. Net fixed assets represent the significant proportion of the assets. Hence, it reflects the financial position of a business concern.

$$\text{Net fixed assets} = \text{Total fixed assets} - \text{cumulative depreciation}$$

(2) *Net sales:* Net sales refer to the amount which is generated after selling the product and services to the customers. It is the total sales reported during a given period after

deducting the sales returns and discounts. Net sales provide accurate data of the sales of a company. Sales is the key source of income for any company. Normally, the net sales has upward trend.

$$\text{Net Sales} = \text{Sales price x no. of products sold in a specific time period}$$

(3) *Market capitalization:* Market capitalization means total market value of the outstanding shares of a company. It is also known as market cap. Market capitalization is important for the firms, because, it shows the size of the company. Investors are interested to knowing the market capitalization or size of the company and it is easy to calculate.

$$\text{Market Capitalisation} = \text{Company's outstanding shares} * \text{current market price of one share}$$

5.2.3 Leverage. Leverage is used to analyze the long-term solvency position of a firm. The debt-equity ratio has used as a proxy to measure the solvency position of a company.

(1) *Debt-equity ratio:* Debt-equity ratio is used to analyze the financial health of a company. It helps to know how much proportion of shareholder's funds and how much proportion of debt is used by a company to finance the assets of their business. It is calculated as below:

$$\text{Debt} - \text{Equity Ratio} = \text{Total debt/shareholder's funds or net worth}$$

5.2.4 Ownership concentration. It refers to the majority of the shares of a company is held by few people. There are mostly family-run businesses in India. So, the promoter's holding truly capture the ownership concentration of a company. Promoter's holding is used as a proxy to measure the ownership concentration of a company.

$$\text{Promoter's Holding} = \text{Percentage of promoter's holding in equity share capital}$$

5.2.5 Profitability. Profitability means the ability of a company to generate profits for the business in excess of expenses by efficient use of business resources. Profitability is important for survival of the business. It has the ability to borrow money from anywhere, anytime and anyone. It also helps to attract investors and hire better employees. Profitability of a company has been measured through profit after tax, return on total assets, return on equity and earnings per share.

(1) *Profit after tax:* Profit after tax refers to that amount which is earned by a company after deducting the all type of expenses and tax. It is a better assessment criterion to know that what actually a company is earned. Profit after tax helps investors to judge the company's management whether the company sufficiently earns or not from its sales. It is the most important indicator of financial health of a company. There is no existence of company without earning the profit. It is calculated as below:

$$\text{Profit after Tax} = \text{Profit earned after paying taxes}$$

(2) *Return on total assets:* Return on total assets means how much assets of the company are profitable to generate income for the business. Return on total assets tells about what a company can do with what it has. A high return on assets means that the company is able to make sufficient profit from its assets. If the company does not utilize the assets properly then return on assets will decrease. Return on assets helps

investors to knowing how much profit is generating by a company to its total assets. Many times, a company generating the large amount of profit, but if the return on assets is law, it indicates that the firm is not able to use their assets more efficiently. It is calculated as below:

$$\text{Return on total assets} = \text{Profit after tax} \Big/ \text{total assets}^{*}100$$

(3) *Return on equity:* Return on equity refers to how much a company earns in relation to shareholder's funds. Return on equity is a good measure for comparing the performance of a company in the same industry. It shows the ability of the management of how efficiently it is using the funds of the shareholders to generate the profits by a business concern. It is used by an investor to know the financial strength and ability of the management. It is calculated as below:

$$\text{Return on Equity} = \text{Profit after taxes} - \text{preference dividend/shareholders equity} * 100$$

(4) *Earnings per share:* Earnings per share mean how much portion of the profit is earned by each share of the common stock. Earnings per share measure the performance of the management. It depicts how much earnings is made for its shareholders. Earnings per share are extremely important for investors. It is a single number that investors firstly look at due to indication of profitability. With the help of earnings per share, investors compare this number across the sectors, industries and alternative investments. It is calculated as below:

$$\text{Earnings Per Share} = \text{Net profit} - \text{dividend on preference shares/number of equity shares}$$

5.2.6 Liquidity. Liquidity refers to the ability of a company to pay short-term obligations on timely basis without raising the external funds. Liquidity is used to analyze the short-term solvency position of a company. The liquidity position of a company has been measured in this paper through current ratio and quick ratio.

(1) *Current ratio:* Current ratio is the measure of how much the amount of current assets is held by a company in proportion of their current liabilities. Current ratio helps in analyzing the operating cycle period of a company. It helps to know how quickly the companies convert their current assets into cash. Higher current ratio depicts that a company is more stable. Lower current ratio indicates that there is a risk of liquidity associated with the company. The formula is expressed as below:

$$\text{Current ratio} = \text{Current assets/current liabilities}$$

(2) *Quick ratio:* The quick ratio is the measure of the level of most liquid assets of a company to meet their short-term obligations. It is also known as acid test ratio. The formula is expressed as below:

$$\text{Quick ratio} = \text{Liquid assets/current liabilities}$$

5.2.7 Type of auditor. Auditing is a device through which a company increases the reliability of the information which is disclosed through annual reports. The type of auditor employed by a firm (Big 4 or not) for auditing is highly influenced the disclosure practices of the companies. It is a dummy variable and it is calculated as below:

$$\text{Type of auditor} = \text{Big4} = 1, \text{ Otherwise } 0$$

5.2.8 Total number of pages of an annual report. To what extent the information is revealed by the firms show the transparency of the company's accounts. It helps to the company for increasing the confidence of the stakeholders. The annual report's pages show to what extent the information is disclosed by the company in their annual report. When the annual report's pages are increases the information disclosed through annual report is automatically increases. In this way, more pages of an annual report mean more information is disclosed by the company. This variable is measured through pages of an annual report of a company.

$$\text{Total number of pages of an annual report} = \text{Pages of an annual report of a company}$$

5.2.9 Listing abroad. Listing abroad is a process through which the national economy integrated with international economy. It is said that a company listed on international stock exchanges have broader perspective regarding disclosure of HR information. So, listing abroad is measured through listing status of a company.

$$\text{Listing Abroad} = \text{Listing status of a company}$$

5.3 Model development

To test the impact of corporate characteristics on HR disclosures the Two-way LSDV regression model (see Table 6) is used which is presented below:

$$\begin{aligned} \text{HRDI} = {} & \alpha + \beta_1 \text{Age}_1 + \beta_2 \text{NFA}_2 + \beta_3 \text{NS}_3 + \beta_4 \text{MC}_4 + \beta_5 \text{DER}_5 + \beta_6 \text{PH}_6 + \beta_7 \text{PAT}_7 \\ & + \beta_8 \text{EPS}_8 + \beta_9 \text{ROTA}_9 + \beta_{10} \text{ROE}_{10} + \beta_{11} \text{CR}_{11} + \beta_{12} \text{QR}_{12} + \beta_{13} \text{TOA}_{13} \\ & + \beta_{14} \text{PAR}_{14} + \beta_{15} \text{LS}_{15} + \beta_{16} \text{SECTOR}_{16} + \beta_{17} \text{YEAR}_{17} + € \end{aligned}$$

Where,

HRDI_{it} = Human resource disclosure index of the ith company in year t;

AGE_{it} = Company age of the ith company in year t;

NFA_{it} = Net fixed assets of the ith company in year t;

NS_{it} = Net sales of the ith company in year t;

MC_{it} = Market capitalization of the ith company in year t;

DER_{it} = Debt-equity ratio of the ith company in year t;

PH_{it} = Promoter's holding of the ith company in year t;

PAT_{it} = Profit after tax of the ith company in year t;

EPS_{it} = Earnings per share of the ith company in year t;

ROTA_{it} = Return on total assets of the ith company in year t;

ROE_{it} = Return on equity of the ith company in year t;

CR_{it} = Current ratio of the ith company in year t;

QR_{it} = Quick ratio of the ith company in year t;

TOA_{it} = Type of auditor of the ith company in year t;

PAR_{it} = Pages of an annual report of the ith company in year t;

LS_{it} = Listing status of the ith company in year t;

$SECTOR_{it}$ = set of dummies taken to control sector-specific effect of the ith company in year t;

$YEAR_{it}$ = set of dummies taken to control time-specific effect of the ith company in year t;

α = the constant;

β = the slope of the regression equation; and

$€_{it}$ = the error term.

For analysis purpose, descriptive statistics, Pearson's correlation matrix, two-way LSDV regression model have been used. The data are analyzed through SPSS 20 and Stata 13 software.

6. Results and discussions

This section entails the results and discussions of the study.

Table 7 depicts the descriptive statistics of both the variables. It shows that the mean percentage of HRDI is 39.31. It depicted that only 39.31% of HR information is shown by the selected Indian listed companies in their annual reports. It is on lower side. The minimum value of HRDI is 11.36 and the maximum is 70.46. The standard deviation is 10.26 which shows the variations in HR disclosures of the selected Indian listed companies. On the other hand, the minimum age of a company is 2 and maximum is 157.00 for a given reference period (2012–13 to 2019–2020). The mean value of pages of an annual report is 195.86 with the minimum value is 27.00 and maximum is 642.00. Figure 1 presents the trend of HRDI. It shows that it is on the increasing side. It shows that companies are trying to increase their HR disclosures with the passage of time. So, it can be concluded that in an emerging capital market, the corporate disclosure is seen as an imperative for both developed and developing nations. Organizations try to disclose more information voluntarily in their annual reports because it is the opportunity for them. By disclosing greater amount of information, they receive different benefits, such as improve marketability of their shares, reduce capital costs and increasing confidence of the investors (Meek *et al.*, 1995). And the corporate disclosure is imperative to stakeholders for their investment purposes (Iatridis and Alexakis, 2012).

Test hypothesis	Tests	Test statistics	*P*-value	Conclusion
Selection between REM and Pooled Regression Model	Lagrange Multiplier (LM) Test	χ^2 value = 3024.02	0.000	REM Model is preferred over Pooled Regression Model
Selection between FEM and Pooled Regression Model	*F*-test	F (26, 2646) = 17.12	0.000	FEM Model is preferred over Pooled Regression Model
Selection between FEM and REM Model	Hausman test	χ^2 (11) = 29.60	0.002	FEM is favored

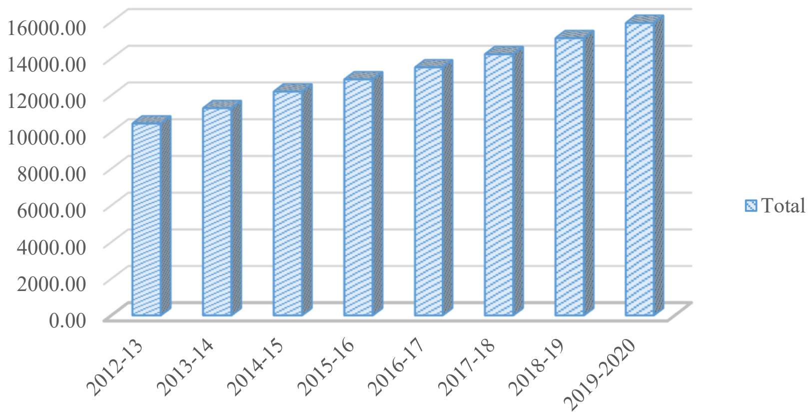
Source(s): Author's Computation

Table 6.
Test results for model selection

Variable	N	Mean	Minimum	Maximum	Std. Deviation
HRDI	2,688	39.31	11.36	70.46	10.26
Age	2,688	41.42	2.00	157.00	45.46
Net Fixed Assets	2,688	5305.62	0.28	306471.00	18348.96
Net Sales	2,688	10712.75	−0.70	523539.67	36704.62
Market Capitalization	2,688	19541.48	20.89	864122.44	53932.71
Debt-Equity Ratio	2,688	1.18	0.00	629.11	13.01
Promoter's Holding	2,688	55.05	0.00	99.33	16.97
Profit after Tax	2,688	750.63	−73131.50	35163.00	3535.02
Earnings Per Share	2,688	24.06	−4073.00	5717.00	163.09
Return on Total Assets	2,688	6.87	−105.54	39.00	8.76
Return on Equity	2,688	10.20	−734.75	350.65	37.46
Current Ratio	2,688	1.76	0.00	46.96	1.95
Quick Ratio	2,688	1.25	0.00	46.93	1.85
Type of Auditor	2,688	0.28	0.00	1.00	0.45
Pages of an Annual report	2,688	195.86	27.00	642.00	82.14
Listing Status	2,688	0.11	0.00	1.00	0.31

Note(s): DV = Dependent Variable and IV = Independent Variable; $N = 336 \times 8 = 2,688$
Source(s): Author's Computation

Table 7.
Descriptive statistics of dependent and independent variables



Source(s): Author's Computation

Figure 1.
Trend of HRDI

Table 8 depicts the Pearson's correlation matrix of both the variables. It shows that net fixed assets (p-value = 0.000), net sales (p-value = 0.000), market capitalization (p-value = 0.000), profit after tax (p-value = 0.000), return on total assets (p-value = 0.000), return on equity (p-value = 0.000), type of auditor (p-value = 0.000), pages of an annual report (p-value = 0.000) and listing status of a company (p-value = 0.000) have significant positive and promoter's holding (p-value = 0.000) has significant negative correlation with HRDI at 1% level of significance. Age (p-value = 0.015), quick ratio (p-value = 0.047) have significant positive correlation with HR disclosures of the selected Indian listed firms at 5% level of significance. On the contrary, earnings per share (p-value = 0.126), current ratio (p-value = 0.226) have insignificant positive and debt-equity ratio (p-value = 0.311) has insignificant negative correlation with HR disclosures.

Table 9 shows the multicollinearity statistics of independent variables. It is checked through VIF and tolerance statistics. It depicted that VIF values are less than 3 and tolerance values are more than 0.10 (Field, 2013). So, the problem of multicollinearity is not present in

Table 8.
Correlation matrix of variables

Variable	HRDI	AGE	NFA	NS	MC	DER	PH	PAT	EPS	ROTA	ROE	CR	QR	TOA	PAR	LS
HRDI	1															
AGE	0.047*	1														
	(0.015)															
NFA	0.293**	0.005	1													
	(0.000)	(0.786)														
NS	0.298**	0.044*	0.628**	1												
	(0.000)	(0.023)	(0.000)													
MC	0.376**	0.030	0.516**	0.517**	1											
	(0.000)	(0.120)	(0.000)	(0.000)												
DER	−0.020	0.012	0.012	−0.001	−0.022	1										
	(0.311)	(0.521)	(0.543)	(0.943)	(0.263)											
PH	−0.098**	−0.081**	0.007	-0.036	−0.052**	0.038*	1									
	(0.000)	(0.000)	(0.712)	(0.060)	(0.008)	(0.049)										
PAT	0.253**	0.033	0.368**	0.495**	0.691**	−0.050**	−0.021	1								
	(0.000)	(0.090)	(0.000)	(0.000)	(0.000)	(0.009)	(0.280)									
EPS	0.030	0.003	−0.008	0.019	0.038*	−0.033	0.002	0.090**	1							
	(0.126)	(0.876)	(0.693)	(0.325)	(0.046)	(0.092)	(0.936)	(0.000)								
ROTA	0.089**	−0.019	−0.098**	−0.007	0.204**	−0.117**	−0.014	0.247**	0.148**	1						
	(0.000)	(0.332)	(0.000)	(0.707)	(0.000)	(0.000)	(0.453)	(0.000)	(0.000)							
ROE	0.073**	−0.010	−0.075**	0.010	0.093**	−0.309**	−0.002	0.181**	0.126**	0.507**	1					
	(0.000)	(0.605)	(0.000)	(0.597)	(0.000)	(0.000)	(0.912)	(0.000)	(0.000)	(0.000)						
CR	0.023	−0.035	−0.098**	−0.060**	0.016	−0.037	0.048*	0.059**	0.029	0.261**	0.091**	1				
	(0.226)	(0.069)	(0.000)	(0.002)	(0.408)	(0.052)	(0.014)	(0.002)	(0.132)	(0.000)	(0.000)					
QR	0.038*	−0.051**	−0.100**	−0.070**	0.029	−0.031	0.033	0.060**	0.030	0.248**	0.083**	0.941**	1			
	(0.047)	(0.008)	(0.000)	(0.000)	(0.131)	(0.109)	(0.084)	(0.002)	(0.116)	(0.000)	(0.000)	(0.000)				
TOA	0.149**	0.044*	0.022	0.015	0.116**	−0.017	−0.158**	0.039*	0.043*	0.011	0.007	−0.026	0.007	1		
	(0.000)	(0.023)	(0.256)	(0.425)	(0.000)	(0.372)	(0.000)	(0.043)	(0.024)	(0.575)	(0.723)	(0.177)	(0.730)			
PAR	0.623**	0.072**	0.342**	0.264**	0.328**	−0.002	−0.125**	0.235**	−0.005	−0.048*	−0.017	−0.039*	−0.021	0.158**	1	
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.933)	(0.000)	(0.000)	(0.803)	(0.012)	(0.369)	(0.042)	(0.276)	(0.000)		
LS	0.081**	0.123**	0.169**	0.147**	0.218**	0.017	−0.290**	0.136**	−0.011	−0.125**	−0.064**	−0.070**	−0.075**	0.056**	0.131**	1
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.372)	(0.000)	(0.000)	(0.583)	(0.000)	(0.001)	(0.000)	(0.000)	(0.004)	(0.000)	

Note(s): * Correlation is significant at the 0.05 level (2-tailed) and ** Correlation is significant at the 0.01 level (2-tailed)
Source(s): Author's Computation

Variable	Multicollinearity statistics VIF	Tolerance
Age	1.082	0.924
Net Fixed Assets	2.333	0.429
Net Sales	2.516	0.397
Market Capitalization	2.739	0.365
Debt-Equity Ratio	1.124	0.890
Promoter's Holding	1.282	0.780
Profit after Tax	2.311	0.433
Earnings Per Share	1.055	0.948
Return on Total Assets	1.780	0.562
Return on Equity	1.534	0.652
Current Ratio	1.070	0.518
Quick Ratio	1.220	0.657
Type of Auditor	1.178	0.849
Pages of an Annual report	2.018	0.495
Listing Status	1.296	0.772

Note(s): VIF – Variance Inflation Factor
Source(s): Author's Computation

Table 9. Multicollinearity statistics

the data. Table 10 shows the results of Breusch–Pagan test for heteroskedasticity. It presented that the problem of heteroskedasticity is also not present in the model as the value is more than 5% level of significance.

Table 11 presents the results of two-way LSDV regression model. It shows that the value of Adjusted R-Square is 0.514. It depicted that selected independent variables explain the 51.4% variations in dependent variable.

Company age: The age of a company has significant (p-value = 0.006) but negative association with HRDI (hypothesis 1). The negative effect suggested that older firms have disclosed less HR information in their annual reports to hide their key information of their resources. The outcomes are contradicted with (Alsaeed, 2006; Kumar and Garg, 2019).

Company size: Two proxies (net sales and market capitalization) have significant (p-values = 0.000 and 0.000, respectively) positive effect on HR disclosures of the companies. One proxy (net fixed assets) has insignificant (p-value = 0.244) negative association with HRDI (hypothesis 2). It is argued that the total number of people employed in a firm, substantial part of goods and services produced, and consumption of raw material in a nation are accounted by larger companies. Thus, they have major effect on the economy (Wallace and Naser, 1995). So, these companies are scrutinized by the government and firms try to reduce such pressure by disclosing more and more information voluntarily in their annual reports. The outcomes are supported with [Garg and Verma, 2010; Kumar and Garg, 2019 (market capitalization)] and contradicted with [Garg, 1992 (net sales)].

Leverage: It has insignificant (p-value = 0.699) but positive association with HR disclosures of the Indian listed companies (hypothesis 3). The positive effect shows that high levered firms come under the scrutiny of debt-holder. So, firms try to reduce such pressure by disclosing more and more information voluntarily in their annual reports. The outcomes are supported with (Kumar and Garg, 2019).

Chi-Square	0.350
P-value	0.555

Source(s): Author's Computation

Table 10. Breusch–Pagan test for Heteroskedasticity

Table 11. Results of two-way least square dummy variable (LSDV) regression model

Variable	Coefficients	Std. Error	*t*-statistics	Sig	Confidence-interval
Company characteristics					
Age of a Company	−0.003	−0.003	−0.831	0.006	−0.00882–0.00357
Net Fixed Assets	−1.34E-05	−0.000	−1.165	0.244	−0.0000359–0.00000914
Net Sales	3.18e-05***	−0.000	5.323	0.000	2.01e-05–4.35e-05
Market Capitalization	3.07e-05***	−0.000	7.242	0.000	2.24e-05–3.90e-05
Debt-Equity Ratio	0.004	−0.011	0.387	0.699	−0.0177–0.0264
Promoter's Holding	−0.008	−0.009	−0.895	0.371	−0.0263–0.00982
Profit after Tax	−0.000104*	−0.000	−1.753	0.080	−0.00022–0.0000124
Earnings Per Share	0.001	−0.001	0.957	0.339	−0.000873–0.00254
Return on Total Assets	0.0768***	−0.021	3.652	0.000	0.0355–0.118
Return on Equity	0.0131***	−0.005	2.868	0.004	0.00414–0.0220
Current Ratio	−1.141***	−0.293	−3.890	0.000	−1.716–−0.566
Quick Ratio	1.271***	−0.310	4.103	0.000	0.664–1.878
Type of Auditor	0.320	−0.335	2.957	0.034	−0.336–0.977
Pages of an Annual report	0.0492***	−0.002	20.620	0.000	0.0445–0.0539
Listing Status of a Company	0.099	−0.500	0.197	0.844	−0.881–1.078
Industry dummy					
Cement/Construction	−3.481***	−0.836	−4.163	0.000	−5.121–−1.841
Chemicals	−1.567**	−0.765	−2.048	0.041	−3.068–−0.0665
Conglomerates	−6.121***	−1.151	−5.319	0.000	−8.377–−3.864
Cons – Durable	−0.422	−1.294	−0.326	0.744	−2.958–2.115
Cons – Non-Durable	−0.470	−0.988	−0.475	0.634	−2.406–1.467
Engineering	−1.595**	−0.754	−2.117	0.034	−3.073–−0.117
Food and Beverage	−1.434	−0.894	−1.604	0.109	−3.187–0.319
Manufacturing	−3.044***	−0.786	−3.874	0.000	−4.585–−1.503
Media	−6.568***	−0.915	−7.180	0.000	−8.362–−4.774
Metals and Mining	−0.765	−0.882	−0.868	0.386	−2.495–0.964
Oil and Gas	−1.576	−1.056	−1.493	0.136	−3.647–0.494
Pharmaceuticals	−1.418*	−0.762	−1.861	0.063	−2.912–0.0763
Retail/Real Estate	−4.560***	−0.952	−4.790	0.000	−6.427–−2.694
Services	−3.481***	−0.828	−4.203	0.000	−5.105–−1.857
Technology	−2.527***	−0.863	−2.928	0.003	−4.22–−0.834
Telecom	−0.261	−1.08	−0.241	0.809	−2.378–1.857
Tobacco	−0.344	−1.615	−0.213	0.831	−3.512–2.823
Utilities	−0.867	−0.983	−0.882	0.378	−2.793–1.06
Miscellaneous	−3.534***	−0.853	−4.142	0.000	−5.206–−1.861
Year dummy					
2013–2014	1.889***	−0.553	3.416	0.001	0.805–2.973
2014–2015	2.948***	−0.561	5.256	0.000	1.848–4.048
2015–2016	4.594***	−0.564	8.144	0.000	3.488–5.700
2016–2017	3.782***	−0.604	6.258	0.000	2.597–4.967
2017–2018	5.996***	−0.603	9.945	0.000	4.814–7.179
2018–2019	7.524***	−0.625	12.030	0.000	6.297–8.750
2019–2020	10.02***	−0.633	15.830	0.000	8.779–11.26
Constant	26.71***	−0.972	27.460	0.000	24.80–28.61
Observations	2,688				
Adjusted R-square	0.514				

Note(s): ***, **, * shows the significance level at 1, 5 and 10%
Source(s): Author's Computation

Ownership concentration: It has insignificant (p-value = 0.371) negative association with HRDI (hypothesis 4). The negative effect is explained by the agency theory. The agency theory argues that due to separation of management and ownership the problem information asymmetry is raised. As a result, the agency cost is arising. The agency cost is higher in widely held firms. Therefore, by disclosing greater amount of information in their annual reports, they provide the signal that they are working in the best interest of the shareholders. The results are supported with (Garg and Verma, 2010).

Profitability: Profit after tax has significant (p-value = 0.080) but negative effect on HRDI. ROTA and ROE have significant (p-values = 0.000 and 0.004, respectively) positive association with HR disclosures. On the contrary, earnings per share has insignificant (p-value = 0.339) but positive effect on HRDI (hypothesis 5). The agency theory argues that managers of large profitable firms disclose greater amount of information in their annual reports to obtain the personal advantage such as compensation. Conversely, less profitable companies also disclose the greater amount of information to explain the reasons of negative performance (Leventis and Weetman, 2004). The outcomes are contradicted with [Garg, 1992 (profit after tax)], [Garg and Verma, 2010; Kumar and Garg, 2019 (return on equity)] and [Kumar and Garg, 2019 (return on total assets)].

Liquidity: Both the proxies (current and quick ratio) have significant (p-values = 0.000 and 0.000 respectively) effect on HRDI. Current ratio has negative and quick ratio has positive effect on HR disclosures (hypothesis 6). The positive effect shows that high liquid firm reveals more information to show their better performance (Wallace *et al.*, 1994). Conversely, the low liquidity firms also disclose the greater amount of information to aware the shareholders regarding their inner complications of the company (Wallace *et al.*, 1994). The outcomes are contradicted with [Garg and Verma, 2010; Kumar and Garg, 2019 (current ratio)].

Type of auditor: It has insignificant (p-value = 0.339) but positive effect of HR disclosures of the Indian listed firms (hypothesis 7). The positive effect suggested that large audit firms disclose greater information as compared to small auditing firms. Because they do not depend on few clients,they have a wide list of clients. Therefore, they influence their clients for greater disclosure in their annual reports.

Total number of pages of an annual report: It has significant (p-value = 0.000) positive effect on HRDI (hypothesis 8). Annual report's pages indicate the level of information that is revealed by the firms. When pages increase the information is automatically increased. The results are supported with (Aggarwal, 2021a, b).

Listing abroad: It has insignificant (p-value = 0.844) but positive association with HRDI of the selected Indian listed companies (hypothesis 9). The positive association is explained by agency and signaling theories. In accordance with the agency theory, multinational companies face more agency problems. So, by disclosing greater amount of information voluntarily, the agency cost is reduced. In accordance with the signaling theory, the company's listing status to stock exchange provides the signal to the various shareholders about the financial strength of a company. Therefore, companies try to disclose higher amount of information in their annual reports for the shareholders. The findings are supported with Aggarwal, 2021a.

Table 12 presents the results of hypotheses.

6.1 Robustness

To get more efficient and robust model the present study has further regressed HRDI with only selected variables which are found to be most significant in two-way LSDV regression model analysis (Kaur *et al.*, 2016). The regression model used to understand variations in HRDI of the companies is stated as under:

$$\begin{aligned}\text{HRDI} &= \alpha + \beta_1\,\text{Age}_1 + \beta_2\,\text{NS}_2 + \beta_3\,\text{MC}_3 + \beta_4\,\text{PAT}_4 + \beta_5\,\text{ROTA}_5 + \beta_6\,\text{ROE}_6 + \beta_7\,\text{CR}_7 \\ &\quad + \beta_8\,\text{QR}_8 + \beta_9\,\text{TOA}_9 + \beta_{10}\,\text{PAR}_{10} + \beta_{11}\,\text{SECTOR}_{11} + \beta_{12}\,\text{YEAR}_{12} + \in\end{aligned}$$

Hypotheses	Results
H1: Company Age → HRDI	Accepted
H2: Company Size → HRDI	Partly Accepted
H3: Leverage → HRDI	Rejected
H4: Ownership Concentration → HRDI	Rejected
H5: Profitability → HRDI	Partly Accepted
H6: Liquidity → HRDI	Accepted
H7: Type of auditor → HRDI	Accepted
H8: Total Number of Pages of an Annual Report → HRDI	Accepted
H9: Listing Abroad → HRDI	Rejected

Source(s): Author's Computation

Table 12.
Results of hypotheses

All selected variables such as age, net sales, market capitalization, profit after tax, return on total assets, return on equity, current ratio, quick ratio, type of auditor, pages of an annual report influence the HR disclosure of the selected Indian listed companies. Further, the value of adjusted R-Square has been improved from 0.514 to 0.527 in reduced model implying remaining variables do not have much bearing on HRDI and they do not significantly impact it (Table 13).

7. Conclusion, implications, limitations and future research directions of the study

The objective of the present study is to examine the impact of corporate characteristics on HR disclosures in Indian corporate sector. The study investigates the annual reports of 336 listed companies of NSE-500 Index. The data are collected for the latest time period which contains eight years (FY 2012–13 to 2019–2020). The data of independent variables (company characteristics) have collected from annual reports and CMIE ProwessIQ Database of the Indian listed companies. The data of HRDI are collected form annual reports using content analysis approach. For analysis purpose, descriptive statistics, Pearson's correlation matrix, two-way LSDV regression model have been used. The data are analyzed through SPSS 20 and Stata 13 software. The outcome of the descriptive statistics shows that the mean percentage of HRDI is 39.31. It depicted that only 39.31% of HR information is shown by the selected Indian listed companies in their annual reports. It is on lower side; and the trend of HRDI is on increasing side. It shows that companies are trying to increase their HR disclosures with the passage of time. So, it can be concluded that in an emerging capital market, the corporate disclosure is seen as an imperative for both developed and developing nations. Organizations try to disclose more information voluntarily in their annual reports because it is the opportunity for them. By disclosing greater amount of information, they have received different benefits such as improve marketability of their shares, reduce capital costs and increasing confidence of the investors (Meek *et al.*, 1995). And the corporate disclosure is imperative to stakeholders for their investment purposes (Iatridis and Alexakis, 2012). Additionally, the results of Pearson's correlation matrix show that net fixed assets, net sales, market capitalization, profit after tax, return on total assets, return on equity, type of auditor, pages of an annual report, listing status of a company have significant positive and promoter's holding has significant negative correlation with HRDI at 1% level of significance. Age and quick ratio have significant positive correlation with HR disclosures of the selected Indian listed firms at 5% significance level. Further, the findings of the two-way LSDV regression model shows that net sales, market capitalization, Return on Total Assets (ROTA), Return on Equity (ROE), quick ratio, Total Number of Pages of an Annual Report (PAR) have

Variable	Coefficients	Std. Error	*t*-statistics	Sig	Confidence-interval
Company characteristics					
Age of a Company	0.00131**	−0.006	0.221	0.025	−0.0103–0.0129
Net Sales	2.88e-05***	0.000	6.940	0.000	2.07e-05–3.70e-05
Market Capitalization	2.91e-05***	0.000	5.565	0.000	1.89e-05–3.94e-05
Profit after Tax	−9.68e-05*	0.000	−1.652	0.099	−0.000212–0.0000181
Return on Total Assets	0.0804***	−0.026	3.143	0.002	0.0302–0.131
Return on Equity	0.0130***	−0.003	4.012	0.000	0.00665–0.0194
Current Ratio	−1.144***	−0.298	−3.837	0.000	−1.729–−0.559
Quick Ratio	1.273***	−0.331	3.847	0.000	0.624–1.922
Type of Auditor	0.39*	−0.348	1.121	0.063	−0.292–1.072
Pages of an Annual Report	0.0490***	−0.002	19.810	0.000	0.0441–0.0538
Industry dummy					
Cement/Construction	−3.517***	−0.771	−4.563	0.000	−5.029–−2.006
Chemicals	−1.685**	−0.671	−2.513	0.012	−3–−0.37
Conglomerates	−6.184***	−1.092	−5.665	0.000	−8.325–−4.044
Cons – Durable	−0.639	−1.058	−0.604	0.546	−2.714–1.436
Cons – Non-Durable	−0.608	−0.878	−0.692	0.489	−2.33–1.115
Engineering	−1.638**	−0.677	−2.420	0.016	−2.966–−0.311
Food and Beverage	−1.514*	−0.858	−1.764	0.078	−3.197–0.169
Manufacturing	−3.150***	−0.800	−3.935	0.000	−4.719–−1.58
Media	−6.658***	−0.877	−7.592	0.000	−8.377–−4.938
Metals and Mining	−1.036	−0.803	−1.290	0.197	−2.611–0.539
Oil and Gas	−1.708**	−0.837	−2.042	0.041	−3.348–−0.0676
Pharmaceuticals	−1.500**	−0.700	−2.143	0.032	−2.873–−0.128
Retail/Real Estate	−4.669***	−0.953	−4.897	0.000	−6.538–−2.799
Services	−3.538***	−0.790	−4.476	0.000	−5.087–−1.988
Technology	−2.418***	−0.878	−2.753	0.006	−4.14–−0.696
Telecom	−0.477	−0.929	−0.513	0.608	−2.298–1.345
Tobacco	−0.360	−1.207	−0.298	0.765	−2.726–2.006
Utilities	−1.253	−0.914	−1.371	0.171	−3.046–0.54
Miscellaneous	−3.543***	−0.827	−4.286	0.000	−5.164–−1.922
Year dummy					
2013–2014	1.889***	−0.508	3.716	0.000	0.892–2.886
2014–2015	2.965***	−0.535	5.544	0.000	1.916–4.013
2015–2016	4.584***	−0.546	8.400	0.000	3.514–5.654
2016–2017	3.793***	−0.603	6.295	0.000	2.612–4.975
2017–2018	6.009***	−0.601	9.994	0.000	4.830–7.188
2018–2019	7.563***	−0.609	12.420	0.000	6.368–8.757
2019–2020	9.975***	−0.619	16.130	0.000	8.762–11.19
Constant	26.20***	−0.786	33.320	0.000	24.66–27.75
Observations	2,688				
Adjusted R-square	0.527				

Source(s): Author's Computation

Table 13. Results of two-way least square dummy variable (LSDV) regression model, robust

significant positive and age, profit after tax, current ratio have significant negative effect on HRDI. On the contrary, debt-equity ratio, earnings per share, type of auditor, listing status have insignificant positive and net fixed assets, promoter's holding have insignificant negative effect on HR disclosures of the selected Indian listed companies.

There are some implications of the present study. The study provides the knowledge of current HR disclosure practices of the top 500 companies listed on National Stock Exchange in an emerging market. This study motivates the Indian corporate sector to enhance their HR disclosure practices. This helps to increase the assurance of the shareholders, employees and lenders. Hence, increase in the market price of the share. The study helps the investors for making their investment decisions. It reduces the sentiment of distrust and speculation, and increases the confidence of the investors as they feel like they are fully prepared to make their investment decisions with transparency in information at hand. It also helps to reduce the chances of insider trading in the market from misusing it for personal gain and profit. It also prevents the chance of window dressing and manipulation of accounts, thereby further increasing transparency in the market. The HRDI constructed in the present study helps The Institute of Chartered Accountants of India and other regulatory bodies to make some standards regarding voluntary HR disclosure practices in Indian corporate sector.

Furthermore, in last decade, the numerous frauds and scandals are occurring in the corporate world such as Satyam, WorldCom and Enron. The main reason for these scandals is that companies hide important information of their operational activities from the stakeholders. So, there is a need of better reporting practices in present competitive business scenario. The HRDI constructed in the present study is the first step toward evaluating the voluntary HR disclosure practices of the companies from the stakeholder's perspective. The voluntary disclosure of HR information also rebuilds the trust of stakeholders in an accounting system because mandatory disclosure is not sufficient and voluntary disclosure fulfills the information need of the stakeholders.

The present paper has several limitations and future research directions of the study. *Firstly*, the present paper was limited to a sample size of listed companies. Future studies may be enhanced by including the non-listed companies. *Secondly*, in the content analysis method, there may be various issues associated with the level of subjectivity involved in the coding process. *Thirdly*, the present paper considers the time period of eight years. But, the findings are change over the passage of time. Hence, the future studies included the time period of ten to fifteen years that may provide a complete picture of HR disclosure. *Fourthly*, the present paper considers that the annual reports of the companies are the only source of the HR disclosure. Thus, future studies may measure the voluntary HR disclosure practices through other means of communication, such as financial press, websites, stock market announcements, conference calls, etc. in addition to annual reports.

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Annexure

S. No.	Human resource disclosure variables	Name of the company
(a) Disclosure of human resource policy and vision component		
1	Policy of recruitment and selection	
2	Equal opportunity policy and non-discrimination	
3	Policy toward woman empowerment	
4	Policy of training	
5	Policy regarding child labor/forced labor	
6	Policy for combating sexual harassment	
7	Whistle blower policy/vigil mechanism	
8	Policy of remuneration for directors, key managerial persons and other employee	
9	Employee retention policy	
10	Policy of reward	
11	Policy of bonus scheme	
12	Compliance with employment and labor laws, etc.	
Total (a)		
(b) Disclosure of general information about human resource component		
1	General and vocational education/qualification	
2	Work-related knowledge and experience	
3	Education index	
4	Diversity of employees	
5	Total number of employees	
6	Geographical distribution of employees	
7	Category of employees	
8	Average age of employees	
9	Total no. of woman employees	
10	Total no. of employees with disabilities	
11	Total number or rate of employee turnover	
12	Employee induction and familiarization program	
Total (b)		
(c) Disclosure of financial information relating to human resource component		
1	Amount spent on recruitment and selection	
2	Amount spent in training	
3	Cost of safety measures	
4	Profit sharing and employee share option plans (ESOPs) or employee purchase share schemes	
5	Loans and advances to HR	
6	Sales/turnover per employee	
7	Workers and staff welfare expenses	
8	Employee cost/employee benefits expense as a % of revenue from operations	
9	Employee welfare fund	
10	Employees/workers compensation fund	

(*continued*)

Table A1. Human resource disclosure index (HRDI)

S. No.	Human resource disclosure variables	Name of the company
11	Compensated absences and leave encashment	
12	Termination benefits	
13	Provision for or contribution to employee or worker retirement benefit like pension provision, provident fund, superannuation fund, gratuity fund, etc.	
14	Redundancy and retrenchment information	
15	Medical benefits	
Total (c)		
(d) Disclosure relating to importance of human resource to the organization component		
1	Recognizing human resource an important resource of an organization	
2	Total amount of employee value added in value added statement	
3	Value added per employee	
4	Human resource valuation	
5	Separate HRA statement showing total value of human resource	
6	Valuation model used	
7	Discount rate applied	
8	Age wise distribution of employees	
9	Employee cost/HR value (%)	
10	HRV to total resources	
11	PBT to human resource value	
12	Establishing and promoting the corporation's employee brand	
Total (d)		
(e) Disclosure of human resource development component		
1	Employees career growth/development and planning	
2	Management succession plan	
3	Training and development programs for existing/new employees	
4	Percentage of employee (category-wise) given safety or skill upgradation training	
5	Training to employees through in-house program	
6	Establishment of trainee centers	
7	Job rotation opportunities	
8	Performance recognition	
9	HR awards/rewards for good performance	
10	Entrepreneurial spirit and Innovativeness	
Total (e)		
(f) Disclosure of employee's health and safety component		
1	Promoting employee health and safety practices at work place	
2	Information to employees about training regarding health and safety issues	
3	Providing a low cost health care for employees	
4	Establishing a safety department/committee	
5	Compliance with health and safety standards and regulations	
6	Receiving a safety award	
Total (f)		
(g) Disclosure of human resource relationship and culture component		
1	Fair work practices	
2	Respect and promotes human rights	
3	Employee motivation	
4	Management–employee relationship	
5	Employee thanks/appreciation	
6	Union activity/workers' unions/association	
7	Collective bargaining agreements/enterprise bargaining	

Table A1. (*continued*)

S. No.	Human resource disclosure variables	Name of the company
8	No. of cases filed or pending of child labor/forced labor	
9	No. of cases filed or pending of Sexual Harassment	
10	Punishment to employee	
11	Employee involvement in the community	
Total (g)		
(h) Disclosure of different benefits/assistance given to employees component		
1	Staff accommodation	
2	Employee recreation and entertainment relating to cultural function, annual picnic/travelling, sports activities, etc.	
3	Subsidized canteen	
4	Subsidized transport	
5	Information about support for day care, maternity and paternity leave	
6	Holiday benefits	
Total (h)		
(i) Disclosure of employee's engagement and empowerment component		
1	Employee engagement practices	
2	Employee engagement/satisfaction survey	
3	Employee empowerment	
4	Feedback from employees	
Total (i)		

Human Resource Disclosure Index (HRDI) $= a + b + c + d + e + f + g + h + I$

Source(s): Compiled from Literature Review

Table A1.

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