



Human Capital Disclosure by the Listed Non-Financial Companies of Bangladesh

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ABSTRACT

Success of an enterprise very much depends on the composition of human capital of the entity. It is now established that human capital is important for the business organization and it may be disclosed in the annual report of the companies. The specific objectives of the paper are to examine the present status of HC disclosure in corporate annual report of the listed non-financial companies in Bangladesh and to summarize the perceptions of different stakeholders regarding this aspect. Contents analysis has been conducted on annual reports for the year 2008 and 2011 of 82 listed companies in Bangladesh. Perception survey has been conducted on 195 respondents for collecting primary data using five-level Likert scale. Results show that the average disclosure score is below 50 percent and over periods the status is not improving significantly. More than 50 percent companies have achieved less than 40 percent score and there is a large variation in score among the companies' scores. As disclosure of HC items is a need of the stakeholders, companies should be careful about the matter and concern regulators may take initiative to improve the disclosure status of the companies.

Keywords: Human Capital, Disclosure, Bangladesh, Content Analysis

INTRODUCTION

To survive in the modern and competitive era there is no alternative of having human capital (HC). Success of an enterprise very much depends on the composition of human capital of the entity. A set of skilled and sound human resource may ensure efficient use of financial and physical resources. It is expected that in the knowledge-based economy an organization should have human capital. Money, machine, material may not work effectively and efficiently if there is no human capital. In the period of globalization, every organization is facing mounting competition and to cope up with this competition, the organization should build up HC within the organization. Abeysekera (2007) realized that globalization, new technology, relatively free capital, increased competition, changes in customer demands, the demand for innovation and changes in economic and political structures are constantly reshaping the way that business is carried out. To face the present challenges and to avail of the opportunities, a firm should have sufficient skilled and experienced human resources. To design and offer innovative products and services for the customer HC plays a vital role. Therefore, a trend in management has been the introduction of human

capital management and accounting (Abeysekera and Guthrie 2004). It is expected that in order to take advantage of a rapidly changing environment, an enterprise should enhance the accumulation of its HC and go through the corporate governance to improve its organizational performance (Wu, Lee and Wang 2012). Xinyu (2014) showed that both financial capital and human capital were positively correlated with firm performance. Therefore, such important capital should be disclosed in the corporate annual report of the listed companies for proper communication to the external stakeholders. External stakeholders may consider human capital for choosing the firm. Thus, an entity can enjoy competitive advantages by disseminating information regarding HC along with physical and financial capital. HC is also important for the investors or lenders to judge the profitability, potentiality and sustainability of the organization. Therefore, company may not ignore the importance of disclosure of human capital for the stakeholders.

Objectives of the Study

It is now established that human capital is important for the business organization and it may be disclosed in the



annual report of the companies. Thus, the specific objectives of the paper are:

- to examine the present status of HC disclosure in corporate annual report of the listed non-financial companies in Bangladesh;
- to examine the changes of HC disclosure status over period of time; and
- to summarize the perceptions of different stakeholders regarding HC disclosure in the corporate annual report of the listed non-financial companies in Bangladesh.

CONCEPT OF HUMAN CAPITAL AND IMPORTANCE OF DISCLOSURE

Human capital (HC) refers to the individual's education, skills, training, values, experiences, and so forth (Guthrie and Petty 2000). HC may be leveled as human centered assets or employee competence or employee capital. HC involves the capacity to act in a wide variety of situations to create both tangible and intangible assets (Sveiby 1997). These are inherent in people and cannot be owned by organizations (Kavida and Sivakoumar 2009). HC indicates combined capability of employees for solving business problems efficiently. It cannot be incorporated as external agents, nor can they be bought or transferred, packaged or commercialized (Ortiz 2009). Roos and Roos (1997) define HC as the knowledge, skills and experiences that the employees take with them when they leave the company. Examples of this type of capital are know-how, vocational qualification, career development, training program, equity issue, employee benefits, professional experience, educational level, entrepreneurial skills and spirits etc.

Human capital is part of total intellectual capital (IC). Bontis (1998) stated that intellectual capital (IC) has been considered by many, defined by some, understood by a select few, and formally valued by practically no one (Stewart 1997; Sveiby 1997). Most of the researchers categorize IC into three basic components – human capital (HC), structural capital (SC) and relationship capital (RC) using different levels for them (Johnson 1999; Knight 1999; Bontis et al. 2000; Guthrie and Petty 2000; Brennan 2001; Chen 2001; April et al. 2003; Bozzolan et al. 2003; Abeysekera and Guthrie 2005; Wong and Gardner 2005; Oliveira et al. 2006; Abeysekera 2007; Sujan and Abeysekera 2007; Abeysekera 2008; Ali, Khan and Fatema 2008; Xiao 2008; Dumay 2009; Hossain 2011; Nurunnabi et al. 2011; González-Loureiro and Dorrego 2012; Córcoles 2013; Lipunga 2013; Verbano and Crema 2013; etc.). Sujan and Abeysekera (2007) comment that key components of intellectual capital (IC) are poorly understood, inadequately identified, inefficiently managed and inconsistently reported.

There is a great variation of HC framework in the previous studies. Wong and Gardner (2005), Vandemaele, Vergauwen and Smits (2005), Guthrie, Petty and Ricceri (2007), Xiao (2008) include five HC items in their studies whereas Guthrie and Petty (2000), Brennan (2001), April, Bosma and Deglon (2003), Goh and Lim (2004) consider six items. Oliveira, Rodrigue and Craig (2006), Bruggen

Vergauwen and Dao (2009) use 10 items in HC framework whereas Davey, Schneider and Davey (2009) use 11 items. Lipunga (2013), Orens, Aerts and Lybaert (2009) frame HC with 16 items whereas Abeysekera and Guthrie (2004), Abeysekera and Guthrie (2005), Abeysekera (2007), Abeysekera (2008) frame with 25 items. It is also found that there are thirty or more HC items in the previous studies (Nurunnabi, Hossain and Hossain 2011; Batista Fontana and Macagnan 2013). Considering disclosure aspects of Bangladeshi companies, the present study prepared a disclosure checklist with 19 items in HC framework. A summary with number of HC items used in some previous studies has been presented in Table 1.

Table 1: Number of items in HC framework in the previous studies

Prior Study	No. of HC Items
Wong and Gardner (2005), Vandemaele, Vergauwen and Smits (2005), Guthrie, Petty and Ricceri (2007), Xiao (2008)	5
Guthrie and Petty (2000), Brennan (2001), April, Bosma and Deglon (2003), Goh and Lim (2004)	6
Sujan, and Abeysekera (2007), Ali, Khan and Fatima (2008)	7
Dumay (2009), Chander and Mehra (2011)	8
Tovstiga and Tulugurova (2009)	9
Oliveira, Rodrigue and Craig (2006), Bruggen Vergauwen and Dao (2009)	10
Davey, Schneider and Davey (2009)	11
Guthrie, Steane and Farneti (2009)	14
Lipunga (2013), Orens, Aerts and Lybaert (2009)	16
Hossain (2011)	19
Abeysekera and Guthrie (2004), Abeysekera and Guthrie (2005), Abeysekera (2007), Abeysekera (2008)	25
Batista Fontana and Macagnan (2013)	30
Nurunnabi, Hossain and Hossain (2011)	33
Present study	19

Source: Researchers' own compilation

Zéghal and Maaloul (2010) state that IC has a positive impact on economic and financial performance. The most short and snappy definitions of intellectual capital is given by Stewart (1997) as 'packaged useful knowledge'. According to his opinion, IC includes an organization's processes, technologies, patents, employees' skills, and information about customers, suppliers and stakeholders. Thus, IC is the possession of knowledge, applied experience, organizational technology, customer relationships, and professional skill that provide a competitive edge in the market (Edvinsson and Malone 1997). Edvinsson and Sullivan (1996) defined IC as knowledge that can be converted into value. Stewart (1997) mentioned that IC refers to the aggregation of all

knowledge and competences of employees that can bring about competitive advantages. Kavida and Sivakoumar (2009) rightly affirmed that economists call them (IC) knowledge capital, management experts refer to them as intellectual capital, and accountants call them intangible capital or intellectual capital. IC has positive impact on market value and financial performance of firms. Companies' prosperity and sustainability depend on IC also. Therefore, this resource should be recognized appropriately and disclosed properly. IC disclosure is an appropriate approach for companies to meet stakeholders' IC information needs (Bruggen, Vergauwen and Dao 2009). Disclosure of sufficient information has advantages, such as lower costs of capital. IC disclosure can help to increase the value relevance of financial statements (Bruggen, Vergauwen and Dao 2009). The reduction in borrowing costs is due to stakeholders' better estimates of firm risk and a larger pool of potential investors (Bontis 2003; Andriessen 2004; Vergauwen and van Alem 2005).

DISCLOSURE STATUS OF BANGLADESHI COMPANIES

Several studies have been conducted to show the compliance with mandatory disclosure requirements for Bangladeshi companies. Karim (1995), Hossain (1999) and Hossain, Cooper and Islam (2006) found that the disclosure level of Bangladeshi listed companies is not satisfactory. Hossain and Taylor (1998) found that the mean score of disclosure is 29.33 percent only. As per Rahman (1999), no company of Bangladesh discloses all mandatory information items in their annual reports. Hossain (2000) showed that the average compliance rate for disclosure was 69.05 percent. Akhtaruddin (2005) conducted an empirical investigation of mandatory disclosure by the listed companies in Bangladesh and said that, on average, companies disclose 44 percent of the items of information. Islam (2006) found that the compliance with mandatory accounting standards by Bangladeshi companies is 71 percent. Ahmed and Dey (2009) found a greater variation of disclosure in Bangladeshi companies. Pandit, Hossain and Khatun (2011) report that average disclosure score of mandatory items for the banking companies is 67.34 percent. Hossain (2012) examines financial statements of all Shariah-based banks in Bangladesh and shows that the average compliance rate is 88.11 percent considering all required aspects of financial statements. Hossain and Khatun (2014) check the disclosure compliance of Islamic banks in Bangladesh and their results show that the compliance level of disclosure as per local and international regulations are 94.20 percent and 64.22 percent respectively. There are some studies on the Bangladeshi companies to show the voluntary disclosure status. Hossain, Amirus and Al-Amin (2005) found that only 12 percent Bangladeshi companies disclosed several issues on corporate governance in their annual reports. Hossain, Islam and Andrew (2006) shows that, on average, 8.33 percent Bangladeshi companies disclose social and environmental information in their corporate annual reports. As a voluntary disclosure, average corporate

governance disclosure score of Bangladeshi listed companies is 56.04 percent (Bhuiyan and Biswas 2007). Rouf and Hossain (2011) conducted a study on corporate social responsibility disclosure of listed non-financial Bangladeshi companies and result showed that average disclosure score is only 25.64 percent.

Very few studies have been conducted in Bangladesh to show the HC disclosure practices. HC disclosure in the annual report is not obligatory for the listed companies in Bangladesh. The companies disclose HC information in the annual report voluntarily. Ali, Khan and Fatima (2008) found that average IC disclosure score of Bangladeshi companies is about 36 percent. They consider only 22 listed companies. Based on 32 leading manufacturing and service sector listed Bangladeshi companies, Khan and Khan (2010) comment that the human capital (HC) reporting practices of these firms are not as low as projected in relation to the total list of items reported. Hossain (2011) found that average disclosure score of intellectual capital items by fuel, power and engineering firms in Bangladesh is 49.89 percent. Nurunnabi, Hossain and Hossain (2011) reveal that the average voluntary IC disclosure score of Bangladeshi non-financial companies is 23.02 percent only. In this situation, the present study will examine human capital disclosure practices by the listed non-financial companies of Bangladesh.

RESEARCH METHODOLOGY

Population of the current study is the listed non-financial companies in Bangladesh. There are two stock exchanges in Bangladesh- Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). DSE, older than CSE, is the major stock exchange in Bangladesh. Besides, most of the companies listed on CSE are also listed on DSE. So, the study considers companies listed on DSE. As on June 30, 2008, there were 270 companies (excluding corporate bonds) listed on DSE out of which 189 were non-financial companies. Excluding insurance companies, banks and financial institutions sample units include listed non-financial companies under 13 industries (DSE, 2008). Base on purposive sampling technique 82 companies have been selected for the study whose annual reports for the year 2008 and 2011 are readily available. Thus, sample represents 43 percent of total population.

The main objective of the study is to examine HC disclosure practice of the companies. It is found from the literature review that most of the studies in this area use content analysis as a method of research (e.g., Guthrie and Petty 2000; Brennan 2001; April, Bosma and Deglon 2003; Abeysekera and Guthrie 2004; Wong and Gardner 2005; Oliveira, Rodrigue and Craig 2006; Guthrie, Petty and Ricceri 2007; Ali, Khan and Fatima 2008; Bruggen Vergauwen and Dao 2009; Joshi, Ubha and Sidhu 2010; Hossain 2011; Majdalany and Henderson 2013, etc.). This method involves codifying qualitative and quantitative information into pre-defined categories so that a pattern can be derived in presenting and reporting that information (Abeysekera and Guthrie 2005).

Both primary and secondary data have been used for the present study. Primary data have been collected through a questionnaire to know perceptions of stakeholders. As the fund providers, either equity or loan, are the main external users of corporate information, the researchers collected responses from shareholders, bankers and preparer of annual reports. Respondents have been classified as supplier of information meaning preparer of AR, direct user of information meaning fund providers (shareholders and banks). A total of 100 questionnaires have been sent to the preparer of AR and 200 questionnaires to the direct users requesting to provide their responses. For primary data collection, a questionnaire has been developed following five-level Likert scale where "1" for "strongly agree", "2" for "agree", "3" for "neutral", "4" for "disagree" and "5" for "strongly disagree". Respondents had options for putting some suggestions to enhance HC reporting practices by the listed companies in Bangladesh. Finally, a total number of 59 responses from the suppliers and 136 responses from the direct users have been collected and summarized in this paper. Secondary data have been collected from the corporate annual report (CAR) of concern companies. Besides, various publications of Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE) have been consulted. Moreover, relevant published research articles have also been reviewed.

There is no regulation to govern HC disclosure practices in the corporate annual reports. Thus, in Bangladesh, HC disclosure in the corporate annual reports of the company is voluntary. Therefore, one key task of the current study is to develop a suitable index containing HC items which are expected to be reported in corporate annual reports. To do this researcher consulted several prior studies. Based on the prior studies, 19 human capital items have been selected (Appendix).

Weighted and unweighted approaches are the two most recognized methods for determining the level of HC disclosure. Some of the prior researchers in this field (like, Brennan 2001; Bozzolan, Favotto and Ricceri 2003; Vandemaele, Vergauwen and Smits 2005; Oliveira, Rodrigue and Craig 2006; Sujun, and Abeysekera 2007; Xiao 2008; Orens, Aerts and Lybaert 2009; Nurunnabi, Hossain and Hossain 2011) have used weighted approach in their study. On the other hand, some researches (e.g., April, Bosma and Deglon 2003; Goh and Lim 2004; Guthrie, Petty and Ricceri 2007; Ali, Khan and Fatima 2008; Davey, Schneider and Davey 2009; Hossain 2011; etc.) have used unweighted scoring system. According to Wallace (1988), all disclosure items are equally important to the average users. Therefore, the present study uses unweighted approach for coding HC items in the disclosure index. If the HC item is disclosed in the annual report, then it is given '1' and '0' if not. The HC disclosure score for each company is expressed as follows:

$$THCD_i = \sum_{j=1}^n r_{ij}$$

Where,

$THCD$ = the total human capital disclosure score;

i = company (1, 2, 3,, 82)

j = HC item (1, 2, 3,, 19)

r = "1" if the item is disclosed; "0" (zero), if the item is not disclosed.

Some statistical tests have been conducted to present the information more accurately. It is expected that companies will disclose more HC items in their annual reports with the passes of time. In regard of HC disclosure, different stakeholders' perceptions may differ. Thus, the following hypotheses have been drawn that will be tested:

H₀₁: There is no difference between extent of HC disclosure in 2008 and 2011

H₁₁: There is a difference between extent of HC disclosure in 2008 and 2011

H₀₂: There is no difference between perception of suppliers and users of information

H₁₂: There is a difference between perception of suppliers and users of information

DATA ANALYSIS AND INTERPRETATION

A total of 19 items were selected under human capital (HC) category. These items may be disclosed in the corporate annual reports of the listed companies of Bangladesh. It is said that these information help the stakeholders of the company to take pragmatic decisions related with the company. Positive information regarding the matter may give competitive advantages to the concerned company. Therefore, existing literatures suggest to provide these information in the corporate annual reports of the companies. Table 2 presents a status of HC items disclosure in the corporate annual reports for the years 2008 and 2011 of the listed non-financial companies of Bangladesh. It is depicted the table that all of the companies provided information regarding employee and executive compensation in their annual reports of the both years. On the other hand, none of the companies disclosed information regarding recruitment of physically disable person in neither year. But, it is obvious that some physically disable may be fitted for certain positions of the companies. Besides, the companies may show positive approach to the handicap as a part of corporate social responsibility. Most of the companies provide information regarding employee benefits other than salary, employee being thanked and featured and number of employees. But, but it is matter of disappointment that some companies excluded these information over time. Employee share and option ownership plan has been disclosed by 46.91 percent and 53.66 percent companies in 2008 and 2011 respectively. Business environment, technology, process are being changing rapidly. To cope up with the changed scenario, employees are to be trained properly. Surprisingly, only 40.24 percent companies

reported in 2011 that they have arranged training program for their employees which was 37.8 percent in 2008.

Information regarding entrepreneurial spirits, educational and professional qualification of member of the board and company secretary and value-added statement have been decreased by 5 percent in 2011 than that of 2008. Employee safety and work environment is a sensitive issue and all companies should take sufficient safety measures. It is shown in the Table 2 that only 30.49 percent made some statements regarding employee safety and their work environment. It may be the reason that the companies are concerned about the matter but not disclosing information in the annual report or they are not concerned at all. Know-how and work-related competencies, professional experience of the employee, vocational qualifications, employee involvement in the community, career development, equity issue (regarding race, gender and religion), expert seniority and age of employees are not been reported by most of the companies. On an average, only 34.02 percent companies disclose HC items in their annual reports of 2011 which was 34.72 percent in 2008 (Table 2).

Table 2: Disclosure score of different HC items (n=82)

S/N	HC Items	2008 (%)	2011 (%)	Increase (Decrease)
1	Employee and executive compensation	100	100	0.00
2	Employee benefits other than salary	92.68	90.24	(2.44)
3	Employees being thanked and Featured	91.46	87.8	(3.66)
4	Employee and their numbers	87.8	87.8	0.00
5	Employee share and option ownership plan	46.91	53.66	6.75
6	Training Programs	37.8	40.24	2.44
7	Entrepreneurial spirits	37.8	32.93	(4.87)
8	Educational and professional qualification of member of the board and company secretary	32.93	28.05	(4.88)
9	Value-added statement	30.49	25.61	(4.88)
10	Employee safety and work environment	30.49	31.71	1.22
11	Know-how and work-related competencies	25.61	26.83	1.22
12	Professional experience of the employee	18.29	10.98	(7.31)
13	Vocational qualifications	8.54	4.88	(3.66)
14	Employee involvement in the community	7.32	6.1	(1.22)
15	Career and Development	6.1	10.98	4.88
16	Equity Issue (Race, Gender and Religion)	3.66	4.88	1.22
17	Expert seniority	1.22	3.66	2.44
18	Age of employees	1.22	1.22	0.00
19	Equity Issue (Disability)	0	0	0.00
	Average	34.72	34.02	(0.70)

Source: Study result

Summary of the companies with HC disclosure score is portrays in Table 3. It is depicted from the table that more than 50 percent companies' disclosure scores are in between 20 percent to less than 40 percent. A very few number of companies scores are in between 60 percent to less than 80 percent whereas there is no company who disclose more than 80 percent HC items in their corporate annual report of either 2008 or 2011. A total number of 11 companies have obtained more than 50 percent score in 2011 (Table 4). The highest score (73.68 percent) is obtained by Singer Bangladesh (Engineering) whereas the second ranked company is Maksons Spinning Mills Limited (Textile). It is also revealed that the companies with higher scored lie in different other industries like "Fuel & Power", "Pharmaceuticals & Chemicals" etc (Table 4). There are 9 companies whose disclose scores are below 20 percent (Table 5). Modern Industries (Bd) Limited (Food & Allied) and Bangla Process (Pharmaceuticals & Chemicals) joint obtained the lowest HC disclosure score (5.26). Monno Fabrics (Textile), Anwar Galvanizing (Engineering), Samata Leather (Tannery Industries), BD.Autocars (Engineering), Meghna Condensed Milk (Food & Allied) and Meghna Pet Industries (Food & Allied) have obtained 15.79 percent HC disclosure score in 2011.

Table 3: Summary of companies with HC disclosure score

Disclosure Score	Companies in 2008		Companies in 2011	
	No.	%	No.	%
Below 20%	5	6	9	11
20% to less than 40%	48	59	46	56
40% to less than 60%	24	29	25	30
60% to less than 80%	5	6	2	3
80% and above	0	0	0	0
Total	82	100	82	100

Source: Study result

Table 4: List of companies whose HC disclosure score in 2011 is more than 50%

S/N	Name of Company	Industry	Score Obtained (%)
1	Singer Bangladesh	Engineering	73.68
2	Maksons Spinning Mills Limited	Textile	68.42
3	Quasem Drycells	Engineering	57.89
4	Summit Power Limited	Fuel & Power	57.89
5	The Ibn Sina	Pharmaceuticals & Chemicals	57.89
6	Libra Infusions Limited	Pharmaceuticals & Chemicals	57.89
7	Orion Infusion	Pharmaceuticals & Chemicals	57.89
8	Alltex Ind. Ltd.	Textile	52.63
9	Jamuna Oil Company Limited	Fuel & Power	52.63
10	Titas Gas Transmission & Dist. Co. Ltd.	Fuel & Power	52.63
11	Rangpur Foundry	Engineering	52.63

Source: Study result

Table 5: List of Companies whose HC disclosure score in 2011 is less than 20%

S/N	Name of Company	Industry	Score Obtained (%)
1	Monno Fabrics	Textile	15.79
2	Anwar Galvanizing	Engineering	15.79
3	Samata Leather	Tannery Industries	15.79
4	BD.Autocars	Engineering	15.79
5	Meghna Condensed Milk	Food & Allied	15.79
6	Meghna Pet Industries	Food & Allied	15.79
7	Modem Cement Limited	Cement	10.53
8	Modern Industries (Bd) Limited	Food & Allied	5.26
9	Bangla Process	Pharmaceuticals & Chemicals	5.26

Source: Study result

Table 6 presents a list of the companies who have made more information in 2011 than that of 2008. Maksons Spinning Mills Limited lays under Textile shows the highest positive trend (31.58 percent) in term of disclosure of HC items in annual report for the year 2011.

Table 6: List of companies whose HC disclosure score has been increased in 2011

S/N	Name of Company	Industry	2008 (%)	2011 (%)	Increased (%)
1	Eastern Lubricants	Fuel & Power	31.58	36.84	5.26
2	Desh Garments Limited	Textile	31.58	36.84	5.26
3	Jamuna Oil Company Limited	Fuel & Power	47.37	52.63	5.26
4	Titas Gas Transmission & Dist. Co. Ltd.	Fuel & Power	47.37	52.63	5.26
5	Apex Weaving	Textile	36.84	42.11	5.26
6	Safko Spinning	Textile	26.32	31.58	5.26
7	Square Textiles Ltd.	Textile	42.11	47.37	5.26
8	ACI Limited.	Pharmaceuticals & Chemicals	42.11	47.37	5.26
9	ACI Formulations Limited	Pharmaceuticals & Chemicals	42.11	47.37	5.26
10	Kohinoor Chemicals	Pharmaceuticals & Chemicals	21.05	26.32	5.26
11	Therapeutics	Pharmaceuticals & Chemicals	26.32	31.58	5.26
12	Eastern Housing	Services & Real Estate	21.05	26.32	5.26
13	Libra Infusions Limited	Pharmaceuticals & Chemicals	52.63	57.89	5.26
14	Orion Infusion	Pharmaceuticals & Chemicals	52.63	57.89	5.26
15	Singer Bangladesh	Engineering	63.16	73.68	10.53
16	Dulamia Cotton	Textile	31.58	42.11	10.53
17	GQ Ball Pen	Miscellaneous	26.32	36.84	10.53
18	Rangpur Foundry	Engineering	42.11	52.63	10.53
19	Bangas	Food & Allied	26.32	42.11	15.79
20	Apex Tannery	Tannery Industries	26.32	42.11	15.79
21	Maksons Spinning Mills Limited	Textile	36.84	68.42	31.58

Source: Study result

Bangas (under Food & Allied industry) and Apex Tannery (under Tannery Industry) show 15.79 percent improvement in HC disclosure. Singer Bangladesh (Engineering), Rangpur Foundry (Engineering), Dulamia Cotton (Textile), GQ Ball Pen (Miscellaneous) have disclosed 10.53 percent more HC items in 2011 over 2008. Other companies in the list have shown 5.26% improvement in disclosing such information in their annual reports for the year 2011. The results indicate that some of the companies are showing more interest in presenting HC items in their annual reports in recent year than the previous year. On the contrary, there are 23 companies who are disclosing lower number of HC items in the recent year than previous one (Table 7). Power Grid Company of Bangladesh Ltd. (Fuel & Power) and BEXTEX Ltd. (Textile) have disclosed 26.32 percent lower HC items in 2011 than that of 2008. It is not a good sign that the company will communicate lower number of HC items over the periods. Rather, all of the companies may try to minimize information asymmetry over period to period.

Table 7: List of companies whose HC disclosure score has been decreased in 2011

S/N	Name of Company	Industry	2008 (%)	2011 (%)	Decreased (%)
1	Power Grid Company of Bangladesh Ltd.	Fuel & Power	63.16	36.84	(26.32)
2	BEXTEX Ltd.	Textile	63.16	36.84	(26.32)
3	BOC Bangladesh	Fuel & Power	63.16	47.37	(15.79)
4	Heidelberg Cement Bd.	Cement	63.16	47.37	(15.79)
5	Monno Fabrics	Textile	31.58	15.79	(15.79)
6	Modern Industries (Bd) Limited	Food & Allied	21.05	5.26	(15.79)
7	Beximco Synthetics	Pharmaceuticals & Chemicals	47.37	31.58	(15.79)
8	CMC-Kamal Textile Mills Ltd	Textile	31.58	21.05	(10.53)
9	Information Service Network Ltd.	IT Sector	47.37	36.84	(10.53)
10	National Polymer	Engineering	42.11	31.58	(10.53)
11	Bata Shoe	Tannery Industries	42.11	31.58	(10.53)
12	Aftab Automobiles"	Engineering	31.58	26.32	(5.26)
13	Apex Foods	Food & Allied	31.58	26.32	(5.26)
14	Rahima Food	Food & Allied	31.58	26.32	(5.26)
15	Mithun Knitting	Textile	31.58	26.32	(5.26)
16	Prime Textile	Textile	31.58	26.32	(5.26)
17	Sonargaon Textiles	Textile	47.37	42.11	(5.26)
18	Imam Button	Pharmaceuticals & Chemicals	31.58	26.32	(5.26)
19	Summit Alliance Port Limited	Services & Real Estate	47.37	42.11	(5.26)
20	Aramit Cement	Cement	42.11	36.84	(5.26)
21	Anwar Galvanizing	Engineering	21.05	15.79	(5.26)
22	Samata Leather	Tannery Industries	21.05	15.79	(5.26)
23	Bd.Thai Aluminium	Engineering	36.84	31.58	(5.26)

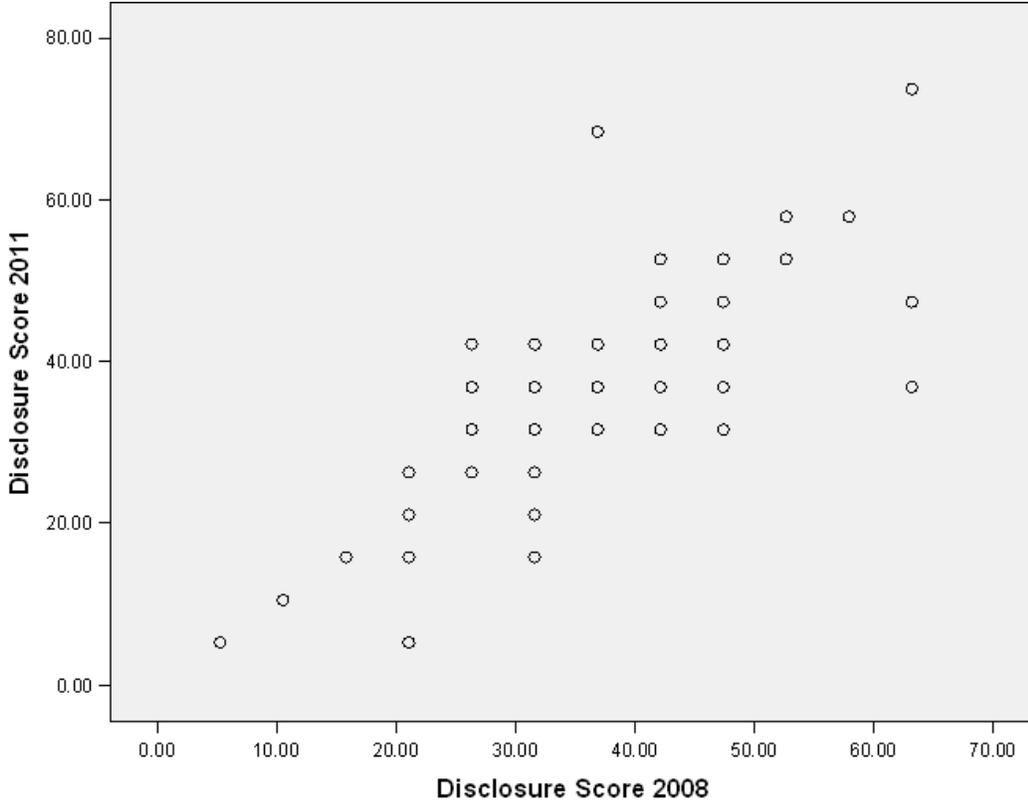
Source: Study result

Graph 1 presents scatter graph of disclosure score for the year 2008 and 2011. It is depicted that there is a similarity between disclosure scores of two years but these are not perfectly correlated as there are some out layers. Table 8 presents results of paired-samples T-test. Paired samples correlation

indicates higher degree of positive correlation (0.813) which is significant at the 0.01 level (2-tailed). As per this table, *t-value* in paired samples test is -0.763 where *p-value* is 0.448 which is not statistically significant. Rank Sum Test (Mann-Whitney Test) results have been presented in Table 9.

It shows that *Mann-Whitney U* is 3278.500, *Wilcoxon W* is 6681.500, *Z-value* is -0.277 (*p-value* is 0.782). Thus, null hypothesis is not been rejected and it can be said that there is no significant changes in terms of HC disclosure status over periods of time.

Graph 1: Scatter graph of disclosure score for the year 2008 and 2011



Source: Survey result

Table 8: Equality of two mean test (Paired Samples Test)

Pair	Mean	SD	Std. Error Mean	t	df	Sig. (2-tailed)	Paired Samples Correlations	
							Correlation	Sig.
Disclosure Score 2011 & Disclosure Score 2008	-0.70634	8.38380	0.92584	-0.763	81	0.448	0.813	.000
Mean Value of Disclosure Score 2011 = 34.02			Mean Value of Disclosure Score 2008 = 34.72					
SD of Disclosure Score 2011 = 13.94148			SD of Disclosure Score 2008 = 13.43426					
Std. Error Mean for 2011 = 1.53958			Std. Error Mean for 2008 = 1.48357					

Source: Study result

Table 9: Rank Sum Test (Mann-Whitney Test) Results

	Year	N	Mean Rank	Sum of Ranks
Disclosure Score	2008	82	83.52	6848.50
	2011	82	81.48	6681.50
	Total	164		
Test Statistics*		Descriptive Statistics		
Mann-Whitney U	= 3278.500	Disclosure Score: Mean		= 34.3718
Wilcoxon W	= 6681.500	Std. Deviation		= 13.65277
Z	= -0.277	Minimum		= 5.26
Asymp. Sig. (2-tailed)	= 0.782	Maximum		= 73.68

*Grouping Variable: Year

Source: Study result

The researchers conducted a perception survey of different stakeholders for collecting primary data. Suppliers and direct users of information have given their opinions on a five-level Likert scale (i.e. "strongly agree", "agree", "neutral", "disagree" and "strongly disagree"). Opinions of 195 respondents have been summarized in Table 10 and Table 11. Most of the respondents opined that corporate annual report (CAR) is the most suitable way of disseminating company information for the users. As per their opinions, they are currently using information provided in CAR for taking their decisions (Table 10). It is also opined by them that human capital (HC) is the most

important factor for business success. Thus, the company may disclose HC items in their CAR so that they can enjoy competitive advantages over the companies who do not disclose these. Stakeholders believe that disclosure of HC information in CAR is cost-effective and it will add value for the company as well as for the users of information. It is depicted from Table 10 that there is no difference between perception of suppliers and users of information in three cases (Statement No. 3, 4 and 5) as null hypothesis is failed to reject. In other cases, null hypothesis is rejected and thus, perceptions vary between suppliers and users.

Table 10: Perception of stakeholders about HC disclosure in the corporate annual reports of listed non-financial companies in Bangladesh (n=195)

S/ N	Respondents' Perception Statement	Opinion on Likert Scale (%)					Mann Whitney Test	
		1	2	3	4	5	Z Value	P Value
1	Corporate annual report (CAR) is the most suitable way of disseminating company information for the users	39	43	14	4	0	-2.498523252	0.012471196*
2	Investors use information provided in CAR of a company before taking investment decision	30	57	11	2	0	-2.954076964	0.003136058**
3	Lenders use information provided in CAR of a company before taking lending decision	33	54	10	3	0	-0.075518206	0.939802413
4	Regulators and others use information provided in CAR of a company before taking any decision	14	71	13	2	0	-0.001736283	0.998614648
5	Human capital (IC) is the most important factor for business success	23	45	26	6	1	-1.122194702	0.261779665
6	Regulators should make it mandatory to disclose HC items in CAR	38	36	10	15	0	-6.261283029	3.81823E-10**
7	Disclosure of HC information in CAR is cost-effective	16	47	27	10	0	-4.240863321	2.22662E-05**
8	Disclosure of HC will add value for the company and the users of information	45	39	13	3	0	-3.468591446	0.000523194**

Note: Number of respondents as suppliers 59 and as direct users 136 and total 195

*and ** represent significance levels of 5 percent and 1 percent, respectively (2-tailed)

Source: Survey result

Table 11 presents the opinions of the stakeholders regarding different items of HC which may be disclosed in the annual report. It is depicted from the table that most of the respondents given their opinions to disclose different HC items in the CAR. Similar type of perception has been found in the earlier study of Hossain, Khan and Yesmin (2004). A very few portions of them disagree to disclose some of the items. On an average, 38 percent respondents "strongly agree" to provide information regarding HC whereas 44 percent of them "agree" to disclose these items (Table 11). Only 1 percent "strongly disagree" to disclose such items in annual reports of the listed companies while 3 percent "disagree" with disclosure. Indifferent responses regarding "agree" or "disagree" have given by 14 percent of the respondents. Therefore, listed companies may disclose all of the HC items in their annual reports to meet information requirements of the stakeholders. Positive information regarding HC may add value for the company. Non-disclosure of such items may be considered

by the investors and lenders as unavailable non-existence of such aspects. Mann-Whitney test results show that in nine cases (Item No. 1,2,3,5,6,7,14,16 and 17) null hypothesis has been rejected while in remaining cases null hypothesis has not been rejected (Table 11). It indicates that for some aspects there is no difference between the perceptions of suppliers and users of information while for some aspects they provided different opinions.

In the questionnaire for perception survey, respondents had options for putting some suggestions to enhance HC disclosure practices by the listed companies in Bangladesh. Thus, they have put forwarded some suggestions regarding the matter. They proposed that regulators may take steps to ensure harmonization in disclosure of information and government may take necessary steps to amend the concern regulations for proper disclosure of HC information in the corporate annual reports of the listed companies of Bangladesh.

Table 11: Perception of stakeholders about disclosure of different HC items (n=195)

S/N	Statement	Respondents' Perception					Mann Whitney Test	
		Opinion on Likert Scale (%)	1	2	3	4	5	Z-Value
1.	Know-how and work-related competencies	33	47	19	1	0	-5.055550746	4.2915E-07**
2.	Vocational qualifications	22	54	19	5	1	-3.482544661	0.000496672**
3.	Career and Development	27	58	12	3	1	-2.993538989	0.002757623**
4.	Training Programs	47	49	3	1	0	-1.544681871	0.122423232
5.	Equity Issue (Race, Gender and Religion)	23	50	16	11	3	-3.695680681	0.000219298**
6.	Equity Issue (Disability)	14	47	28	11	1	-3.640889456	0.000271698**
7.	Employees being thanked and Featured	26	54	17	3	0	-2.130024226	0.033169613*
8.	Employee involvement in the community	13	72	12	3	1	-1.897947781	0.057702961
9.	Employee and executive compensation	46	44	7	3	1	-0.458606979	0.646516424
10.	Employee benefits other than salary	55	37	5	3	1	-0.523170532	0.600855586
11.	Employee share and option ownership plan	40	37	18	5	2	-0.54186391	0.58791226
12.	Value-added statement	54	28	13	5	0	-0.193196593	0.846805007
13.	Employee and their numbers	48	41	8	3	0	-0.053320329	0.957476683
14.	Professional experience of the employee	40	56	4	0	0	-3.44112385	0.000579303**
15.	Educational and professional qualification of member of the board and company secretary	67	26	7	0	0	-0.135704564	0.89205484
16.	Expert seniority	36	43	21	0	0	-3.795218277	0.000147514**
17.	Age of employees	11	44	42	3	0	-2.01948748	0.043436577*
18.	Entrepreneurial spirits	48	37	15	0	0	-0.06949387	0.944596512
19.	Employee safety and work environment	66	28	6	0	0	-0.565132294	0.571983784
	Average	38	44	14	3	1		

Note: Number of respondents as suppliers 59 and as direct users 136 and total 195

*and ** represent significance levels of 5 percent and 1 percent, respectively (2-tailed)

Source: Survey result

CONCLUSION

It is opined by the scholar that success of an enterprise very much depends on the composition of human capital of the entity in the competitive market nowadays. Efficient human resource may ensure proper use of financial and physical resources. Therefore, it is expected that the company, who has such precious asset, will disclose such items in the annual report. Therefore, the main objective of the paper is to examine the present status of HC disclosure. Results show that the average disclosure score is below 50 percent and over periods the status is not improving significantly. More than 50 percent companies have achieved less than 40 percent score and there is a large variation in score among the companies (the highest score 73.68 percent the lowest score is 5.26 percent). There is no significant positive change over time in disclosing HC items in the corporate annual reports of the listed companies. As disclosure of HC items is a need of the stakeholders, companies may be careful about the matter. An initiative may be taken by the concern regulators to improve disclosure status of the companies. Harmonization in disclosure pattern among the companies is also expected by the stakeholders. A different picture may be depicted if study covers all types of companies and perception of all types of stakeholders. Thus, a separate study may be conducted in this area considering all types of industries and opinions from all groups of stakeholders.

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APPENDIX

HC Disclosure Items with Reference

S/N	IC Item	Reference
1	Know-how and work-related competencies	April, Bosma and Deglon (2003); Goh and Lim (2004); Lipunga (2013)
2	Vocational qualifications	Abeysekera and Guthrie (2005); Ali, Khan and Fatema (2008); Davey, Schneider and Davey (2009)
3	Career and Development	Dumay (2009); Macagnan (2009); Lipunga (2013)
4	Training Programs	Guthrie, Steane and Farneti (2009); Chander and Mehra (2011); Córcoles (2013)
5	Equity Issue (Race, Gender and Religion)	Macagnan (2009); Chander and Mehra (2011); Batista Fontana and Macagnan (2013)
6	Equity Issue (Disability)	Abeysekera and Guthrie (2004); Hossain (2011); Nurunnabi, Hossain and Hossain (2011)
7	Employees being thanked and Featured	Abeysekera and Guthrie (2005); Abeysekera (2007); Guthrie, Steane and Farneti (2009);
8	Employee involvement in the community	Guthrie, Steane and Farneti (2009); Macagnan (2009); Hossain (2011);
9	Employee and executive compensation	Abeysekera and Guthrie (2004); Hossain (2011); Batista Fontana and Macagnan (2013)
10	Employee benefits other than salary	Abeysekera and Guthrie (2004); Macagnan (2009); Nurunnabi, Hossain and Hossain (2011);
11	Employee share and option ownership plan	Abeysekera (2007); Hossain (2011); Nurunnabi, Hossain and Hossain (2011)
12	Value-added statement	Hossain (2011); Nurunnabi, Hossain and Hossain (2011); Lipunga (2013)
13	Employee and their numbers	Bozzolan, Favotto and Ricceri (2003); Macagnan (2009) Davey, Schneider and Davey (2009);
14	Professional experience of the employee	Abeysekera and Guthrie (2005); Córcoles (2013); Lipunga (2013)
15	Educational and professional qualification of member of the board and company secretary	April, Bosma and Deglon (2003); Guthrie, Steane and Farneti (2009); Hossain (2011)
16	Expert seniority	Hossain (2011); Nurunnabi, Hossain and Hossain (2011); Batista Fontana and Macagnan (2013)
17	Age of employees	Macagnan (2009); Davey, Schneider and Davey (2009); Guthrie, Steane and Farneti (2009);
18	Entrepreneurial spirits	Goh and Lim (2004); Sujan and Abeysekera (2007); Davey, Schneider and Davey (2009);
19	Employee safety and work environment	Dumay (2009); Macagnan (2009) Batista Fontana and Macagnan (2013);

Source: Researchers' own compilation

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