

## THE ROLE OF FINANCIAL PERFORMANCE IN THE RELATIONSHIP BETWEEN HUMAN RESOURCE ACCOUNTING DISCLOSURE AND COMPANY VALUE

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### Abstract

*This study aims to analyze the effect of Human Resource Accounting (HRAC) disclosure on firm value, with financial performance as a mediating variable. This quantitative study uses secondary data in the form of annual reports and sustainability reports from 14 companies during the 2020–2024 period, with a total of 70 observations. HRAC disclosure is measured using the Human Resource Disclosure Index through a content analysis approach. Firm value is proxied by Net Asset Value (NAV) transformed into the natural logarithm, while financial performance is measured using ROA. Data analysis was performed using path analysis with SPSS software, and the Sobel test to examine the role of financial performance as a mediating variable. The results show that HRAC disclosure affects firm financial performance, but does not directly affect firm value. Financial performance is proven to affect firm value in a negative direction. The results of the Sobel test indicate that financial performance plays a significant role as a mediating variable in the relationship between HRAC disclosure and firm value. These findings indicate that HRAC disclosure affects firm value indirectly through financial performance. ASDM disclosure functions as supporting information and additional signals for investors, but is not yet able to become the main determinant in the direct formation of company value.*

**Keywords:** Human Resource Accounting, Financial Performance, Company Value,

### INTRODUCTION

Corporate value is an important indicator reflecting long-term prospects and market perceptions of the effectiveness of a company's internal management. In recent years, corporate values in Indonesia have fluctuated significantly, even experiencing pressure in some large companies. (Reuters, 2024) noted that PT Telkom Indonesia and PT Bank Mandiri, despite strong operational performance, continue to face pressure on their corporate values due to market dynamics and business restructuring. Furthermore, alleged financial reporting manipulation cases at PT Waskita Karya and PT Wijaya Karya have undermined investor confidence and impacted their corporate values. (Melani, 2023) A similar phenomenon also occurred at PT Indofarma Tbk when the Indonesian Audit Board (BPK RI) discovered financial irregularities that had a direct impact on the company's value. (BPK RI, 2024) The financial reporting scandal at PT Garuda Indonesia Tbk further confirms that weak reporting integrity can significantly reduce a company's value. (Heriani, 2019).

Based on the results of Net Asset Value (NAV) data processing from 14 companies during the observation period, the average company value increased from 151.80 trillion rupiah in 2020 to 345.52 trillion rupiah in 2024. This increase was primarily influenced by the contribution of several companies with large asset values. However, this increase in company value does not always reflect the stability of performance or the effectiveness of internal company management, considering that company value is influenced by various factors such as profitability, capital structure, company growth, company size, and macroeconomic conditions.(Setiawan & Nugroho, 2020)(Latief & Fauziah, 2023)(Adyaksana et al., 2023).

These fluctuations in company value indicate that internal factors play a crucial role in maintaining the sustainability of company value. One internal factor that is receiving increasing attention is the effectiveness of human resource management. Previous research has shown that companies that effectively manage their strategic resources tend to have better performance and higher company value.(Tran & Vo, 2020)However, human resource management is not only assessed by its performance, but also by the extent to which information related to human resources is disclosed transparently to stakeholders.

In this context, Human Resource Accounting (HRA) is a form of non-financial information that has the potential to influence investors' perceptions of a company's value. HRA disclosures include information on training costs, competency development, remuneration, employee welfare, and employment policies. This information is considered capable of providing insight into the quality of human resource management and the company's long-term prospects.(Pujiastuti & Rahmawati, 2023). Several studies show that disclosure of ASDM can increase transparency and provide a positive signal to investors, thus potentially increasing the company's value.(Hieu et al., 2022)(Ogundajo et al., 2022).

Theoretically, the Resource-Based View (RBV) explains that sustainable competitive advantage comes from valuable, rare, difficult to imitate, and irreplaceable resources, especially human resources.(Gerhart & Feng, 2021)Human resources are intellectual capital that contributes significantly to innovation, productivity, and company sustainability.(Al-Delawi et al., 2023). Global challenges related to skills gaps and the difficulty of acquiring quality talent further reinforce the importance of transparent human resource management and disclosure.(World Economic Forum, 2023).

In addition, Signaling Theory explains that the disclosure of non-financial information, including ASDM, can function as a positive signal to investors regarding the company's internal capabilities.(Ogundajo et al., 2022)However, in practice, companies in Indonesia still tend to disclose human resource information in a limited and administrative manner. This situation has the potential to create information asymmetry between management and owners. Based on Agency Theory, this information asymmetry can increase the risk of conflicts of interest and undermine investor confidence.(Eksandy, 2020).

The role of HR disclosure in company value is also inseparable from a company's financial performance. Financial performance reflects a company's ability to manage assets and generate profits. Effective human resource management is believed to increase productivity and operational efficiency, thereby impacting financial performance.(Ullah et al., 2020)(Abu Afifa & Nguyen, 2024)This improvement in financial performance can then be interpreted by the market as a positive signal regarding the company's prospects, potentially increasing the company's value.

However, previous research on the relationship between HR disclosure, financial performance, and firm value has shown inconsistent findings. Several studies have found that HR disclosure has a positive effect on financial performance and firm value.(Ullah et al., 2020)(Ogundajo et al., 2022)On the other hand, other studies show that disclosure of ASDM has not had a significant impact on company value because the information disclosed is still basic and administrative in nature.(Daulany & Wahyudi, 2020), even in certain contexts it can be perceived as a cost burden by investors(Bangara et al., 2024).

These inconsistencies in findings indicate a research gap regarding the mechanism by which HR disclosure influences firm value. Therefore, this study aims to analyze the effect of Human Resource Accounting disclosure on firm value and examine the role of financial performance as a mediating variable. This research is expected to provide an empirical contribution to enriching the literature on the role of non-financial information in shaping firm value and provide practical implications for companies in improving the quality of their human resource disclosures.

## **2. RESEARCH METHOD**

### **Types of research**

This study employed quantitative research, aiming to analyze causal relationships between variables based on secondary data. This study examined the effect of Human Resource Accounting disclosure on firm value, with financial performance as an intervening variable.

### **Research Object**

The subjects of this research are CGPI participating companies in Indonesia that consistently published complete annual reports during the 2020–2024 period. The research focuses on Human Resource Accounting disclosure, financial performance, and company value.

### **Population and Sample**

The population in this study was all companies participating in the CGPI during the 2020–2024 period. The sampling technique used was purposive sampling, with the criteria being companies that had complete annual reports that were continuously accessible throughout the study period. Based on these criteria, 14 companies were selected as research samples, with a total of 70 data observations.

### Data collection technique

Data collection was conducted using a documentation method, namely by collecting annual reports and company sustainability reports obtained from official company websites and other public sources. This data was used as the basis for measuring all research variables.

### Data Analysis Methods

#### 1. Descriptive Analysis

Descriptive analysis is used to provide a general overview of the characteristics of research variables, such as minimum, maximum, average, and standard deviation values.

#### 2. Path Analysis

Path analysis is used to determine the direct and indirect effects of Human Resource Accounting disclosure on company value, with financial performance as an intervening variable. Path analysis is performed using two regression equations:

- (1) the influence of ASDM disclosure on financial performance, and
- (2) the influence of ASDM disclosure and financial performance on company value.

#### 3. Sobel test

The Sobel test is used to test the significance of the indirect effect of Human Resource Accounting disclosure on firm value through financial performance as an intervening variable. The test criteria are carried out by comparing the Sobel statistic value and its probability of significance at the 5% significance level.

The entire data processing and analysis process was carried out with the help of the SPSS program and the Sobel calculator online.

## 3. RESULTS AND DISCUSSION

In this study, regression model I tested the hypothesis that Human Resource Accounting (HRAC) disclosures influence a company's financial performance. This hypothesis testing was conducted using the SPSS program. The results of the SPSS data processing can be seen in Table 1.

Table 1. SPSS Output for Regression Path Analysis I

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.987a	.974	.973	.10426

a. Predictors: (Constant), X

b. Dependent Variable: Z

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1					
	(Constant)	-.577	.018		.000
	X	.985	.020	.987	.000

a. Dependent Variable: Z

Based on the regression results, the following regression equation is obtained:

$$Z = -0.577 + 0.985X + e$$

Information:

X = Human Resource Accounting Disclosure (HRAC)

Z = Financial Performance

Based on Table 1 in the Model Summary section, the R Square value is 0.974, which indicates that variable X1 is able to explain the variation of variable Z by 97.4%, while the remaining 2.6% is influenced by other variables outside this research model. Thus, it can be said that the contribution of variable X1 to variable Z is very large, which reflects the model's ability to explain the relationship between variables strongly.

Furthermore, based on Table 1 in the Coefficients section, it can be seen that variable X1 has a significance value of  $0.000 < 0.05$ , so  $H_0$  is rejected and  $H_1$  is accepted. In addition, the regression coefficient value of 0.985 indicates that the direction of the relationship between variable X1 and variable Z is positive. The calculated t value of 49.991 indicates that the influence of variable X1 on variable Z is statistically strong. Therefore, the hypothesis stating that variable X1 influences variable Z can be accepted.

The constant value of -0.577 indicates that if the variable X1 is considered constant, then the average value of the variable Z is -0.577. Meanwhile, the regression coefficient of the variable X1 of 0.985 indicates that every increase in the variable X1 by one unit will increase the variable Z by 0.985, with the hypothesis testing decision based on a significance value of  $0.000 < 0.05$ .

In this study's regression model II, we tested hypotheses related to the influence of Human Resource Accounting (HRAC) disclosure and financial performance on firm value. To test these hypotheses, the researchers used the SPSS program. The results of the SPSS data processing are shown in Table 2.

Table 2. SPSS Output for Hypothesis Test of Regression Model II

**Model Summary**

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.445a	.198	.174	1.41200

a. Predictors: (Constant), Z,

b. Dependent Variable: Y

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	30,004	.977		30,698	.000
	X	2,366	1,639	.971	1,444	.154
	Z	-3.355	1,642	-1,373	-2,042	.045

a. Dependent Variable: Y

Based on Table 2 in the Model Summary section, the Adjusted R Square value is obtained Based on Table 2 in the Model Summary section, the Adjusted R Square value is obtained at 0.174, which indicates that the Human Resource Accounting (ASDM) disclosure variable (X1) and financial performance (Z) are able to explain the variation in company value (Y) by 17.4%, while the remaining 82.6% is influenced by other variables outside this research model. This indicates that the model's ability to explain variations in company value is still relatively limited.

Furthermore, based on Table 2 in the Coefficients section, a constant value of 30.004 was obtained. This value indicates that if the ASDM disclosure and financial performance variables are considered constant or zero, the company's value will be 30.004.

The regression coefficient of the ASDM disclosure variable (X1) is 2.366 with a significance value of 0.154 ( $> 0.05$ ) indicating that every increase in ASDM disclosure by one unit will increase the company's value by 2.366, but this effect is not statistically significant, so  $H_0$  is accepted and  $H_1$  is rejected.

Meanwhile, the regression coefficient of the financial performance variable (Z) is -3.355 with a significance value of 0.045 ( $< 0.05$ ) indicating that every increase in financial performance by one unit will reduce the company's value by 3.355, and this effect is statistically significant, so  $H_0$  is rejected and  $H_1$  is accepted.

Thus, it can be concluded that partially, ASDM disclosure has no significant effect on firm value, while financial performance has a significant, negative effect on firm value.

Therefore, the hypothesis of the effect of ASDM disclosure on firm value is rejected, while the hypothesis of the effect of financial performance on firm value is accepted.

Based on the results of the regression analysis, the following regression equation is obtained:

$$Y = 30.004 + 2.308X - 3.355Z$$

Description: X = Human Resource Accounting Disclosure (HRA)  
Z = Financial Performance  
Y = Company Value

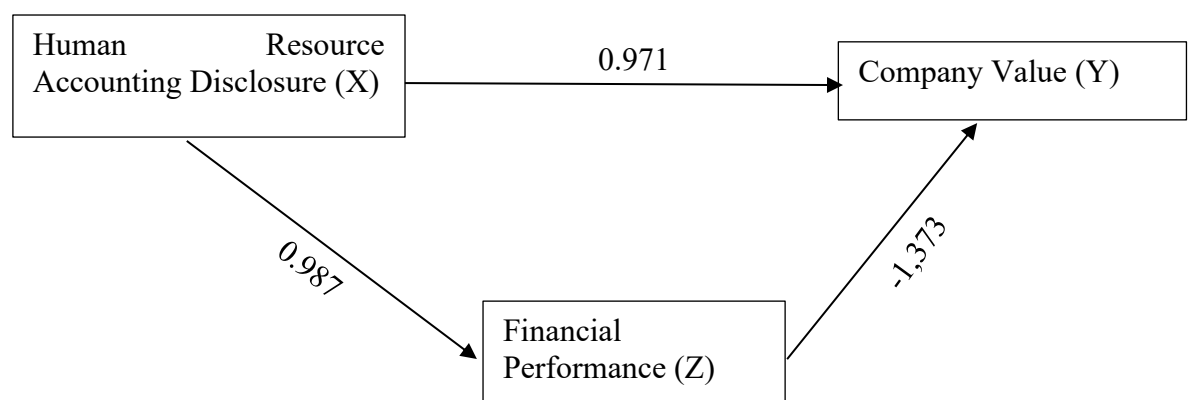


Figure 1. Relationship Path of Human Resource Accounting Disclosure (X) Financial Performance (Z) Company Value (Y)

The results of this study indicate that Human Resource Accounting (HRAC) disclosure and financial performance are not yet the primary determinants of firm value. This is reflected in the Adjusted R Square value of 0.174, indicating that these two variables only explain 17.4% of the variation in firm value, while the remaining 82.6% is influenced by factors outside the research model.

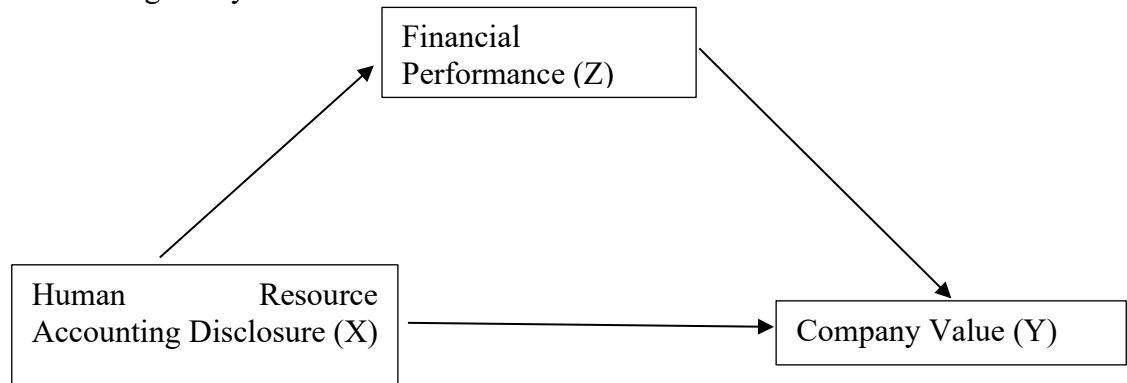
Thus, firm value in this study is largely determined by other variables not examined, thus the role of non-financial variables, such as ASDM disclosure, is more of a supporting information for investors. Although ASDM disclosure has been shown to significantly impact financial performance, this finding suggests that ASDM disclosure does not directly and significantly increase firm value, but rather serves as an additional signal in investment decision-making.

In addition to using path analysis to determine the significance of intervening variables, we also use the Sobel Test application, namely the Sobel Test Calculator for the Significance of Mediation. With this test, we can determine whether the intervening variable can mediate the influence of the independent variable on the dependent variable or can



determine the indirect effect of the independent variable on the dependent variable. With this test, we can also determine the significance value of both one-tailed and two-tailed probabilities. This test is conducted online at <http://www.danielsoper.com>.

Figure 2. Intervening Analysis with Sobel Test



Where:

A: Regression coefficient of X against Z = 0.985

B: Regression coefficient of Z against Y = -3.355

ASE: Standard error of variable X = 0.020

BSE: Standard error of variable Z = 1.642

From the results of the online Sobel test, the following was obtained:

Sobel Test Statistic Value = -2.04148383

One-tailed probability = 0.02060138

Two-tailed probability = 0.04120276

Based on the results of the Sobel test, the Sobel Test Statistic value was obtained at -2.041 with a significance value (two-tailed) of 0.041 (<0.05). These results indicate that financial performance acts as a mediating variable in the relationship between Human Resource Accounting (HRAC) disclosure and firm value. Thus, the indirect effect of HRAC disclosure on firm value through financial performance is proven to be statistically significant, with a negative direction of influence.

## CONCLUSION

This study confirms that Human Resource Accounting (HRAC) disclosures influence a company's financial performance, but do not directly impact firm value. Financial performance has been shown to negatively impact firm value, so that improvements in financial performance are not always positively responded to by the market. The Sobel test results indicate that financial performance significantly mediates the relationship between HRAC disclosures and firm value, confirming that HRAC's influence on firm value is indirect. Therefore, HRAC disclosures serve as supporting information and additional signals for investors through financial performance, but are not yet a primary determinant in directly shaping firm value.



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