

## **The Influence of Company Characteristics and Ownership Structure on Human Resource Accounting Disclosures with Company Size as an Intervening Variable (Empirical Study on Manufacturing Companies Listed on The Indonesian Stock Exchange)**

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### *Abstract*

*The company's Ownership of various product variations and trademarks, known as product diversification, entails the possession of multiple products. This diversification leads to an expansion in business segments that require reporting, alongside an increase in the workforce involved in the production process. This research defines capital structure as the concentration of share ownership, which influences the degree of shareholder ownership within a company. This study employed a causality research design focused on investigating possible cause-and-effect relationships between variables, facilitating their classification. This research concentrates on a manufacturing company in the industrial domain, especially within the consumer goods segment, registered on the Indonesia Stock Exchange. This research was conducted over a period from October 2023 to March 2024. State-owned enterprises listed on the Indonesia Stock Exchange (BEI) between 2020 and 2022 constitute the study's population. The study employs purposive sampling, selecting samples based on specific predetermined criteria. This method involves choosing samples due to their specific characteristics or attributes, which are believed to be closely related to the characteristics or attributes of the population that are already known. 1. Product diversification's effect on a company's size is not significant. 2. Company size remains unchanged mainly by Profitability. 3. Ownership structure has little to no effect on a company's size. 4. Product diversification's influence on human resources accounting disclosure is minimal. 5. The disclosure of human resource accounting is independent of Profitability. 6. Human resource accounting disclosure is barely affected by the structure of Ownership. 7. Company size has a negligible impact on human resource accounting. 8. Company size does not mediate the relationship between product diversification and human resource accounting. 9. Company size does not play a mediating role in linking Profitability with human resource accounting. 10. 1 Company size does not mediate The connection between ownership structure and human resource accounting.*

**Keywords:** *Company characteristics, product diversification, profitability, ownership structure, company size, human resource accounting disclosures*

## **INTRODUCTION**

A firm is a central point for gathering all elements necessary to create products and services and centralize production operations. Manufacturing businesses belonging to various sectors listed on the Indonesia Stock Exchange (IDX) are expected to have bright prospects. This encompasses companies that function within the industrial sector (Anwar, 2019). The expectation is for the industrial sector to act as a catalyst for the growth of the national economy, positioning the manufacturing industry as a critical driver of the real sector. This anticipation stems from Indonesia's rich natural resources, which possess comparative advantages in the form of primary products. These resources are deemed necessary to undergo processing into industrial goods to achieve more excellent added value.

Considering the company's performance and demonstrating its characteristics is crucial. Within the framework of large-scale manufacturing enterprises, the management of human resources is a vital factor in achieving the goal of maximizing long-term profits. The capability

of human resources plays a crucial role in executing operational tasks within the company, additional company resources, and implementing business strategies effectively (Warno, 2011).

Cristy (2015) emphasizes the necessity of human resource accounting for producing precise financial statements that serve as a basis for decision-making. Widodo and Maulud (2014) draw attention to the vital role that HR accounting financial reporting plays in helping businesses make the most of their human resources. In addition, they note that factors including profitability, product diversity, and firm structure specifically, ownership concentration have a significant impact on the development of human resource accounting. The study also considers company size, determined by the company's largest size, as an intervening variable.

In this study, the total assets of a company are used to determine its size, which serves as an intervening variable. A larger asset base suggests that the company has extensive funding, which requires detailed reporting to stakeholders, including creditors, banks, and shareholders.

Company characteristics vary in the extent of disclosure in financial statements, and company characteristics are predictors of the quality of disclosure (Purba, 2019). The operating characteristics of companies that produce high social impacts will also demand the fulfillment of higher human resource accounting disclosures. In this case, the company characteristics used are product diversification and Profitability.

The company's Ownership of various product variations and trademarks, known as product diversification, entails the possession of multiple products. This diversification leads to an expansion in business segments that require reporting, alongside an increase in the workforce involved in the production process. This research defines capital structure as the concentration of share ownership, which influences the degree of shareholder ownership within a company.

Hence, this research aims to examine the extent of human resource accounting disclosure among manufacturing firms on the Indonesia Stock Exchange (IDX). Given the context above, the researchers are motivated to explore the topic under the study titled **"The Influence of Company Characteristics and Ownership Structure on Human Resource Accounting Disclosures with Company Size as an Intervening Variable "**

## **LITERATURE REVIEW**

### **Theoretical Basis and Hypothesis Development**

#### **1. Human Resource Accounting Disclosures**

Human resource accounting falls under the umbrella of accounting sciences, focusing on valuing human beings as essential assets in an organization. These human assets must be measured and recorded as part of the organization's assets. Unlike traditional accounting methods that rely solely on operational costs, human resource accounting evaluates costs as either expenses or capital investments. Consequently, assessing human resources is necessary for a company, as it involves the processes of selection, recruitment, training, and enhancement of employees' skills. This evaluation aims to track human resources' value progression as an organizational asset over a specific timeframe.

#### **2. Company Characteristics**

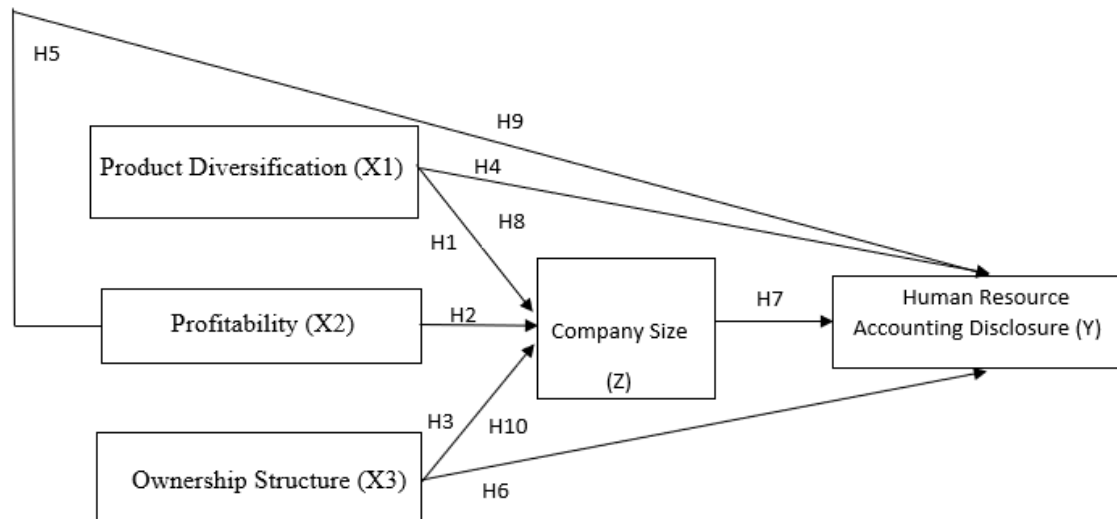
Characteristics of a company, as defined by Safitri (2008), are inherent traits observed in a business entity from various perspectives, including its industry or business type, the structure of Ownership, levels of liquidity and Profitability, and the size of the company.

#### **3. Ownership Structure**

Sudana (2011) defines the ownership structure as the distinction between the individuals who own a company and those who manage it. The owner is identified as the person investing capital into the business. In contrast, the manager is granted the authority to oversee and make decisions within the company composition of share ownership within a firm and the behaviors of its shareholders are elucidated by the ownership structure (Petta & Tarigan, 2017).

#### 4. Company Size

Sudana (2011) describes the ownership structure as the distinction between those who own the Company those who manage it. The investor provides capital to the company owner, whereas the manager is endowed with the authority to oversee and make decisions within the company management. The ownership structure is defined by the distribution of share ownership within a company and the behavior of its shareholders, according to Petta and Tarigan (2017).



**Figure 1.** The research's conceptual framework can be outlined as follows

- H1: Product diversification affects company size
- H2: Profitability affects the Company Ownership structure affects company size
- H4: Product diversification affects human resource accounting disclosure
- H5: Profitability affects the disclosure of human resource accounting
- H6: Ownership structure affects the disclosure of human resource accounting
- H7: Company size affects the disclosure of human resource accounting
- H8: Company size mediates the effect of product diversification on human resource accounting
- H9: Company size mediates the effect of Profitability on human resource accounting
- H10: Company size mediates the effect of ownership structure on human resource accounting

## RESEARCH METHOD

### Type, Location and Time of Research

This study employed a causality research design focused on investigating possible cause-and-effect relationships between variables, facilitating their classification. This research concentrates on a manufacturing company in the industrial domain, especially within the consumer goods segment, registered on the Indonesia Stock Exchange. This research was conducted over a period from October 2023 to March 2024.

### Research Population and Sample

All industrial manufacturing enterprises listed on the Indonesia Stock Exchange were the primary focus of this research. Data for this study came from [www.idx.co.id](http://www.idx.co.id). Companies listed on the Indonesian Stock Exchange that are involved in manufacturing make up the study sample.

### Research Variables and Operational Definition of Variables

This study incorporates three variables: independent, dependent, and intervening. The operational definitions for the variables applied in this research are Product Diversification (X1), Net Profit Margin, Ownership Structure, Disclosure of Human Resource Accounting (Y), Company Size (Z).

## Sources and Methods of Data Collection

This study utilizes secondary data, which is not collected directly by the researchers but obtained through intermediaries such as individuals or documents. Documentation for this research came from annual financial reports sourced and compiled from the official Indonesia Stock Exchange website and the official company website of the sampled entity.

## Data Analysis Method

The study employs Partial Least Square (PLS) path analysis, facilitated by SmartPLS 4, to simplify data for more straightforward interpretation and application.

## RESEARCH RESULTS AND DISCUSSION

### Research Results

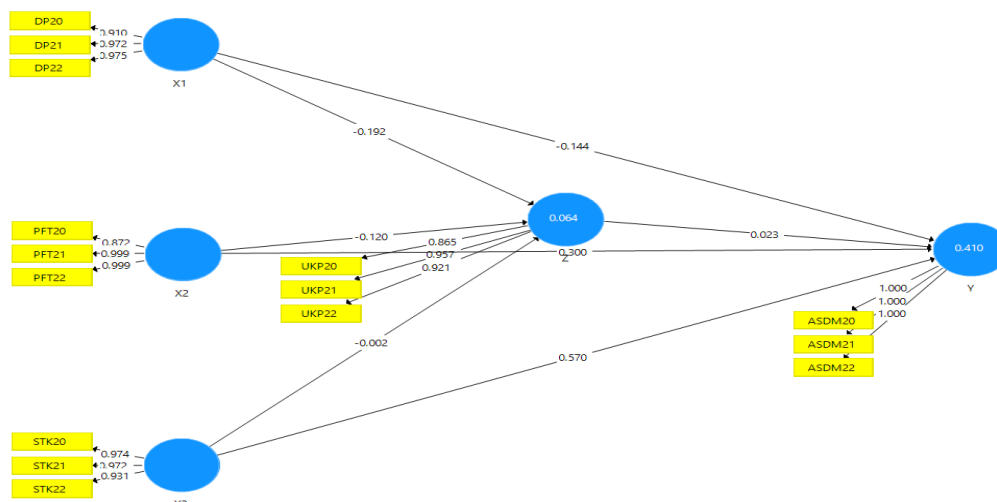
#### Descriptive Statistical Analysis Results

State-owned enterprises listed on the Indonesia Stock Exchange (BEI) between 2020 and 2022 constitute the study's population. The study employs purposive sampling, selecting samples based on specific predetermined criteria. This method involves choosing samples due to their specific characteristics or attributes, which are believed to be closely related to the characteristics or attributes of the population that are already known (Kusumastuti et al., 2020, p. 36).

#### Linearity Test

1. The association between the variables of product diversification and human resource accounting exhibits a non-linear pattern, evidenced by a test probability value of 0.271, which exceeds the threshold of 0.05. Consequently, a linear model must adequately describe the connection between product diversification variables and human resource accounting.
2. A non-linear correlation between the profitability variables and human resource accounting is evident, as demonstrated by a probability value of 0.282 in the test, surpassing the 0.05 benchmark. Thus, a linear model does not accurately represent the linkage between profitability to variables and human resource accounting.
3. The bond between ownership structure variables and human resource accounting also reveals a non-linear nature, with a test probability value of 2.726, significantly above the 0.05 limit, indicating that a linear model cannot suitably capture the relationship between ownership structure variables and human resource accounting.
4. Conversely, a linear relationship is observed between company size variables and human resource accounting, as the probability value from the test is 0.271, falling below the 0.05 criterion. This suggests that the linear model effectively illustrates the relationship between company size variables and human resource accounting.

#### Partial Least Square (PLS) Analysis



The correlation between Product Diversification (X1) and Company Size (Z) is approximately -0.192. A -0.120 value marks the correlation between Profitability (X2) and Company Size (Z). Ownership Structure (X3) is correlated with Company Size (Z) at -0.02. The correlation value between Product Diversification (X1) and Human Resource Accounting (Y) is -0.144. Conversely, the correlation between Profitability (X2) and Human Resource Accounting (Y) is positive at 0.300. Furthermore, a strong positive correlation of 0.570 is observed between Corporate Structure (X3) and Human Resource Accounting (Y), with Company Size (Z) and Human Resource Accounting (Y) showing a minimal positive correlation of 0.023.

### Hypothesis Test

#### Direct Hypothesis Test (Direct Effect)

##### Results of Path Coefficients

Hypothesis	Variable	Original Sample	t statistics	p values	Description
1	X1 → Z	-0.192	0.947	0.344	Insignificant
2	X2 → Z	-1.120	0.392	0.694	insignificant
3	X3 → Z	-0.002	0.013	0.990	insignificant
4	X1 → Y	-0.144	0.728	0.467	insignificant
5	X2 → Y	0.300	0.607	0.544	insignificant
6	X3 → Y	0.570	1.574	0.116	insignificant
7	Z → Y	0.023	0.057	0.954	insignificant

Source: Data processing, 2023

#### Hypothesis Testing Indirectly (Indirect Effect)

##### Mediation Testing

Hypothesis	Mediation Analysis	Original Sample	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O STDEV)	P Values
H8	X1 → Z → Y	-0.004	-0.014	0.069	0.063	0.949
H9	X2 → Z → Y	-0.002	-0.009	0.223	0.012	0.990
H10	X3 → Z → Y	-0.000	-0.002	0.060	0.000	0.999

### Discussion of Research Results

#### Effect of Product Diversification on Company Size

Recent research outcomes have demonstrated that Product Diversification does not significantly affect Company Size, resulting in the dismissal of the hypothesis that suggested a notable effect.

#### Effect of Profitability on Company Size

Research outcomes indicate that a company's size is not significantly influenced by its Profitability, resulting in the dismissal of the hypothesis that posited a substantial impact of Profitability on the scale of the company.

#### Effect of Ownership Structure on Company Size

The study results show no significant effect of Ownership Structure on Company Size, thus disproving the theory that posits a significant connection between Ownership Structure and Company Size.

#### Effect of Product Diversification on Human Resource Accounting

Research reveals that product diversification does not have a large influence on human resource accounting, ruling out the premise that it does.

### **Effect of Profitability on Human Resource Accounting**

Research findings indicate that Profitability does not significantly impact human resource accounting. Thus, the hypothesis proposing a significant effect of Profitability on human resource accounting is rejected.

### **Effect of Ownership Structure on Human Resource Accounting**

Research findings indicate that Ownership Structure does not significantly impact Human Resource Accounting, thereby rendering the hypothesis suggesting a significant effect of Ownership Structure on Human Resource Accounting unviable.

### **Effect of Company Size on Human Resource Accounting**

The results from the research show that a company's size does not have a considerable influence on Human Resource Accounting, thus leading to the dismissal of the theory that proposed a significant impact of Company Size on Human Resource Accounting.

### **Company Size Serves as a Mediator of the Effect of Product Diversification on Human Resource Accounting**

Study outcomes show that Company Size does not act as a mediating factor in the link between Product Diversification and Human Resource Accounting. This leads to the dismissal of the theory positing that Company Size could mediate the effects of Product Diversification on Human Resource Accounting.

### **Company Size Serves as a Mediator of the Effect of Profitability on Human Resource Accounting**

The study's findings cast doubt on the idea that predicted a mediating role for firm size in the link between profitability and HR accounting, since it shows that business size has no effect on the relationship between the two.

### **Company Size Serves as a Mediator of the Effect of Ownership Structure on Human Resource Accounting**

Studies have shown that Company Size does not act as a mediating factor in the influence of Ownership Structure, resulting in the dismissal of the theory that proposed Company Size could play a role in mediating Ownership Structure's effect on Human Resource Accounting.

## **CONCLUSIONS AND SUGGESTIONS**

### **Conclusion**

This research aimed to explore the influence of company size as a mediating factor in the connection between product diversification, Profitability, and ownership structure regarding human resource accounting. From the analysis and discussion conducted, the conclusions that emerged are as follows:

1. Product diversification's effect on a company's size is not significant.
2. Company size remains unchanged mainly by Profitability.
3. Ownership structure has little to no effect on a company's size.
4. Product diversification's influence on human resources accounting disclosure is minimal.
5. The disclosure of human resource accounting is independent of Profitability.
6. Human resource accounting disclosure is barely affected by the structure of Ownership.
7. Company size has a negligible impact on human resource accounting.
8. Company size does not mediate the relationship between product diversification and human resource accounting.
9. Company size does not play a mediating role in linking Profitability with human resource accounting.
10. 1 Company size does not mediate The connection between ownership structure and human resource accounting.

## Limitations

The research conducted still has limitations, which include:

1. This study used three independent variables to determine firm value: company characteristics and ownership structure.
2. In the research, 26 out of the 30 firms listed in the IDX30 index of the Indonesia Stock Exchange were analyzed from 2020 to 2022. This selection was based on the availability of share ownership information and financial statement data for these companies on the IDX30 index during the specified period, excluding firms that did not report profits in rupiah.

## Suggestion

The study's findings and discussions reveal certain limitations, leading to the proposed suggestions:

1. For further research, it can add independent variables used for measuring company value: solvency, liquidity, growth opportunities, and other financial ratios because other variables can also affect human resource accounting disclosure.
2. For additional studies, extending the observation period and focusing more on the criteria for selecting samples that will be used to ascertain the study's sample size could be beneficial.

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