

## THE INFLUENCE OF HUMAN RESOURCE ACCOUNTING ON FINANCIAL REPORTING TRANSPARENCY AND INVESTOR TRUST AT PT CITRA MEDIKA SIDOARJO

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### Abstract

*This study aims to analyze the influence of Human Resource Accounting on Transparency of Financial Reporting and Investor Trust at PT Citra Medika Sidoarjo, that places human resources as a strategic asset of the company, so it is expected to be able to improve the quality of financial information and strengthen investor trust. This study uses a quantitative method with an associative approach. The data used are primary data obtained through distributing questionnaires to respondents related to the management and understanding of the company's financial reporting. Data analysis techniques were carried out using IBM SPSS, including validity tests, reliability tests, classical assumption tests, linear regression analysis, t-tests, F-tests, and coefficient of determination ( $R^2$ ) tests. The results of the study indicate that Human Resource Accounting has a positive and significant effect on Transparency of Financial Reporting, it's also proven to have a positive and significant effect on Investor Trust. This study provides implications that the optimal implementation of Human Resource Accounting can increase the transparency of financial reporting and strengthen investor confidence, especially in health service companies such as PT Citra Medika Sidoarjo.*

**Keywords:** Human Resource Accounting, Financial Reporting Transparency, Investor Trust.

### INTRODUCTION

The increasingly competitive business world requires companies to rely not only on physical assets but also on intangible assets, particularly human resources. Human resources are viewed as a strategic asset that plays a crucial role in creating added value, improving company performance, and maintaining business sustainability. However, in conventional accounting practices, the contribution of human resources is often not adequately recognized and measured in financial statements, resulting in information that does not fully reflect the company's true economic condition (Flamholtz, 1999).

Human Resource Accounting (HRA) is an accounting approach aimed at identifying, measuring, and reporting a company's investment in human resources. The implementation of HRA is expected to improve the quality of accounting information by providing a more comprehensive picture of the value of a company's human resources. This information is useful not only for management in internal decision-making but also for external parties, such as investors, in assessing the company's prospects and performance (Brummet, Flamholtz, & Pyle, 1968).

Transparency in financial reporting is a crucial factor in building investor confidence. Transparent, relevant, and reliable financial reports will reduce information asymmetry between management and investors, thereby increasing investor confidence in the company. The implementation of Human Resource Accounting is believed to expand the disclosure of

relevant non-financial information, particularly regarding the management and quality of human resources, which can ultimately strengthen the transparency of financial reporting (Lev & Schwartz, 1971).

Investor trust is a crucial asset for companies, especially those seeking to maintain financial stability and a reputation in the market. Investors tend to place greater trust in companies that present honest, transparent information that reflects the company's overall values. Therefore, implementing Human Resource Accounting not only has the potential to increase the transparency of financial reporting but also has implications for increasing investor trust in the company (Eccles & Krzus, 2010).

PT Citra Medika Sidoarjo, as a company engaged in the healthcare sector, relies heavily on the quality and competence of its human resources in carrying out its operations. Therefore, the management and reporting of information related to human resources are important aspects to consider. Based on this description, this study aims to analyze the influence of Human Resource Accounting on financial reporting transparency and investor confidence in PT Citra Medika Sidoarjo. It is hoped that this study can provide theoretical and practical contributions to the development of human resource accounting practices in Indonesia.

## **LITERATURE REVIEW**

### **Human Resource Accounting**

Human Resource Accounting (HRA) is an accounting concept focused on identifying, measuring, and reporting the value of human resources as a company asset. Flamholtz (1999) states that HRA aims to provide quantitative information on the cost and value of human resources to assist management and external parties in economic decision-making. In this view, human resources are treated as strategic assets that provide future economic benefits. Brummet, Flamholtz, and Pyle (1968) suggested that Human Resource Accounting encompasses the measurement of the costs a company incurs to recruit, train, and develop employees, as well as the benefits resulting from their contributions.

The implementation of HRA is expected to improve the quality of accounting information by expanding disclosures regarding a company's investment in human resources. Human Resource Accounting measurement methods are generally divided into two, namely the cost-based approach and the value-based approach. The cost-based approach assesses human resources based on the historical costs incurred by the company, while the value-based approach assesses human resources based on the economic value expected to be generated in the future (Lev & Schwartz, 1971).

### **Transparency of Financial Reporting**

Transparency in financial reporting is a condition in which a company presents financial information honestly, clearly, relevantly, and reliably to stakeholders. According to Healy and Palepu (2001), transparency in financial reporting plays a crucial role in

reducing information asymmetry between management and investors, thereby increasing capital market efficiency.

Transparent financial reports include not only historical financial information but also non-financial information relevant to the company's performance and prospects. The implementation of Human Resource Accounting can be a means of increasing the transparency of financial reporting by disclosing information on the quality, competence, and management of human resources (Eccles & Krzus, 2010).

### **Investor Confidence**

Investor trust is the investor's belief in a company's integrity, credibility, and prospects. This trust is built through the quality of the company's information, management's reputation, and consistent financial performance. According to Bushman and Smith (2001), high-quality financial reporting can increase investor confidence because it provides a strong basis for investment decisions.

Investors tend to have more trust in companies that implement principles of transparency and accountability in their financial reporting. Increased transparency can reduce perceived risk toward a company, thus encouraging investors to invest their capital for the long term (Diamond & Verrecchia, 1991).

### **The Influence of Human Resource Accounting on Financial Reporting Transparency**

The implementation of Human Resource Accounting is believed to increase the transparency of financial reporting by providing additional information regarding a company's intangible assets. Information regarding human resource investment and management can provide a more comprehensive picture of a company's condition and potential. This aligns with research by Lev and Schwartz (1971), which states that disclosing the value of human resources can increase the relevance of financial reports. With the disclosure of HRA, financial reports not only focus on physical and financial assets, but also reflect the company's internal strengths derived from the quality of its human resources.

### **The Influence of Human Resource Accounting on Investor Confidence**

Human Resource Accounting also influences investor confidence by improving the quality and comprehensiveness of information presented by companies. Information about human resources can be a positive signal to investors regarding a company's ability to create long-term value. According to signaling theory, companies that disclose more information tend to be perceived as more transparent and credible by investors (Spence, 1973). Thus, the implementation of Human Resource Accounting is expected to increase investor confidence because the company is considered to have a commitment to information transparency and sustainable human resource management.

## Conceptual Framework

Based on the literature review, it can be concluded that Human Resource Accounting plays a role as an independent variable that influences the transparency of financial reporting and investor confidence as the dependent variable. Increasing the implementation of Human Resource Accounting is expected to improve the transparency of financial reporting, which in turn has a positive impact on investor confidence in PT Citra Medika Sidoarjo.

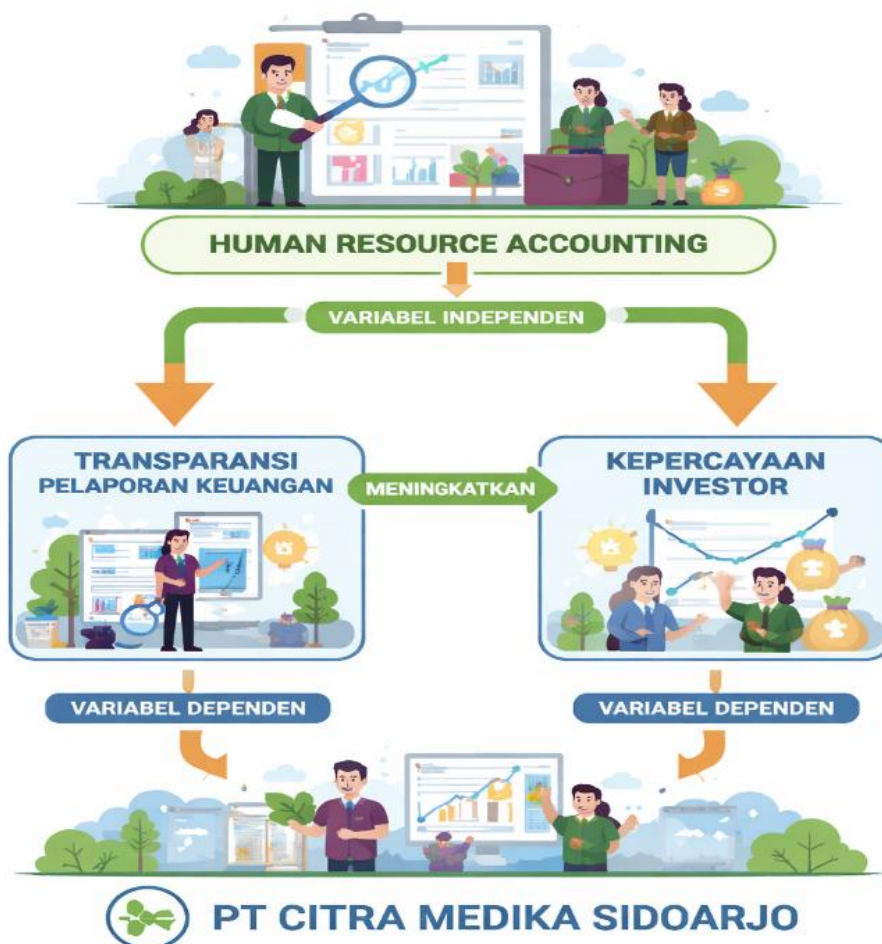


Figure 1. Conceptual Framework

## METHOD

### Types and Approaches of Research

This study uses a quantitative approach with an associative approach. The associative approach aims to determine the relationship and influence between independent and dependent variables. This approach is used to analyze the influence of Human Resource Accounting on financial reporting transparency and investor confidence at PT Citra Medika Sidoarjo.

The objects of this research are the application of Human Resource Accounting, transparency of financial reporting, and investor confidence. This research was conducted at

PT Citra Medika Sidoarjo, a healthcare company that relies heavily on the quality of its human resources in carrying out its operational activities.

The variables used in this study consist of:

1. Independent Variable (X): Human Resource Accounting, namely the accounting treatment of human resources which includes the recognition, measurement and disclosure of human resource investments in company reports.
2. Dependent Variable (Y1): Transparency of financial reporting, namely the level of openness, clarity and completeness of financial information presented by the company.
3. Dependent Variable (Y2): Investor confidence, namely the level of investor confidence in the integrity, credibility and prospects of the company.

Human Resource Accounting is measured through indicators such as recruitment costs, training and development costs, and disclosure of human resource information in company reports. Transparency in financial reporting is measured through the level of information disclosure, clarity of report presentation, and completeness of financial information disclosure. Investor confidence is measured through investor perceptions of the reliability of information, the company's reputation, and confidence in the company's future performance.

The population in this study comprised all parties involved in the management and utilization of financial information at PT Citra Medika Sidoarjo, including management, financial staff, and investors or their representatives. The sampling technique used was purposive sampling, which determines the sample based on specific criteria relevant to the research objectives.

The types of data used in this study are primary and secondary data. Primary data was obtained through the distribution of questionnaires to predetermined respondents. Secondary data was obtained from company financial reports, annual reports, and other supporting documents relevant to the research.

Data collection techniques in this study were carried out through:

1. Questionnaire, to obtain data regarding respondents' perceptions regarding the implementation of Human Resource Accounting, transparency of financial reporting, and investor confidence.
2. Documentation, to obtain supporting data in the form of financial reports and company documents.

The collected data were analyzed using descriptive and inferential statistical analysis. The inferential analysis was conducted using multiple linear regression to examine the effect of Human Resource Accounting on financial reporting transparency and investor confidence. Prior to hypothesis testing, the data were subjected to validity, reliability, and classical assumption tests.

Hypothesis testing was conducted to determine whether Human Resource Accounting significantly impacts financial reporting transparency and investor confidence. The test used a t-test to determine partial effects and an F-test to determine simultaneous effects, with a significance level set at 5%.

## RESULTS AND DISCUSSION

### Respondent Overview

This study involved respondents consisting of management, financial staff, and investors representing PT Citra Medika Sidoarjo. Respondent characteristics are presented to provide a general overview of the background of those participating in this study, including job title, length of service/investment experience, and level of understanding of company financial reporting.

### Research Instrument Test Results

#### Validity Test

**Table 1.** Results of the Validity Test of Research Instruments

No	Research Variables	Statement Items	r count	r table	Information
1	Human Resource Accounting	HRA1	> r table	r table	Valid
		HRA2	> r table	r table	Valid
		HRA3	> r table	r table	Valid
2	Transparency of Financial Reporting	TPK1	> r table	r table	Valid
		TPK2	> r table	r table	Valid
		TPK3	> r table	r table	Valid
3	Investor Confidence	KI1	> r table	r table	Valid
		KI2	> r table	r table	Valid
		KI3	> r table	r table	Valid

Source: Primary data processed with SPSS

A validity test was conducted to determine the level of validity of each statement item in the questionnaire. Based on the validity test results, all statement items in the variables Human Resource Accounting, Financial Reporting Transparency, and Investor Trust had calculated r values greater than the table r (calculated r > table r). Thus, all statement items were declared valid and suitable for use as research instruments.

#### Reliability Test

**Table 2.** Results of the Reliability Test of Research Instruments

No	Research Variables	Cronbach's Alpha	Criteria	Information
1	Human Resource Accounting	$\geq 0,70$	Reliable	Reliable
2	Transparency of Financial Reporting	$\geq 0,70$	Reliable	Reliable
3	Investor Confidence	$\geq 0,70$	Reliable	Reliable

Source: Primary data processed with SPSS

The purpose of the reliability test was to determine the consistency of the research instrument. The results showed that the Cronbach's Alpha value for each variable was above 0.70. This indicates that the research instrument has a good level of reliability and can be used consistently in research.

## Results of the Classical Assumption Test

### Normality Test

**Table 3.** Data Normality Test Results

No	Research Variables / Models	Normality Test Method	Significance Value (Sig.)	Criteria	Information
1	Research Model	Kolmogorov-Smirnov	> 0,05	Significance > 0.05	Normal

The results of the normality test show that the significance value of [Sig. Normality] is greater than 0.05. Thus, it can be concluded that the research data is normally distributed and meets the normality assumption.

### Multicollinearity Test

**Table 4.** Multicollinearity Test Results

No	Independent Variables	Tolerance	VIF	Criteria	Information
1	Human Resource Accounting	> 0,10	< 10	Tolerance > 0.10 and VIF < 10	No Multicollinearity Occurs

Source: Primary data processed with SPSS

Based on the results of the multicollinearity test, the tolerance value of [Tolerance] is greater than 0.10 and the Variance Inflation Factor (VIF) value of [VIF] is less than 10. This indicates that there is no multicollinearity between the independent variables in the regression model.

### Heteroscedasticity Test

**Table 5.** Heteroscedasticity Test Results

No	Independent Variables	Test Method	Significance Value (Sig.)	Criteria	Information
1	Human Resource Accounting	Uji Glejser	> 0,05	Significance > 0.05	No Heteroscedasticity Occurs

Source: Primary data processed with SPSS

The results of the heteroscedasticity test indicate that the significance value of each variable is greater than 0.05. Therefore, it can be concluded that there are no symptoms of heteroscedasticity, and the regression model is suitable for use.

### Regression Analysis Results

Linear regression analysis was conducted to determine the effect of Human Resource Accounting on Financial Reporting Transparency and Investor Trust at PT Citra Medika Sidoarjo.

#### a. Test (Partial)

**Table 6.** t-Test Results (Partial Test)

No	Independent Variables	Dependent Variable	t count	Mean (p-value)	Criteria	Information
1	Human Resource Accounting	Transparency of Financial Reporting	[t count]	[Sig. t]	Significance < 0.05	Significant Influence
2	Human Resource Accounting	Investor Confidence	[t count Y2]	[Signal t Y2]	Significance < 0.05	Significant Influence

Source: Primary data processed with SPSS

Based on the results of the t test, the calculated t value is [t count] with a significance value of [Sig. t]. The significance value is smaller than 0.05, so it can be concluded that Human Resource Accounting has a significant effect on Financial Reporting Transparency. In addition, the results of the t test also show that Human Resource Accounting has a significant effect on Investor Trust with a significance value of [Sig. t Y2] < 0.05.

#### b. F Test (Simultaneous)

**Table 7.** F Test Results (Simultaneous Test)

No	Regression Model	F count	Mean (p-value)	Criteria	Information
1	Research Model	[F count]	[Mr. F]	Significance < 0.05	Significant Influence

Source: Primary data processed with SPSS

The F test results show a calculated F value of [F count] with a significance value of [Sig. F] < 0.05. This indicates that Human Resource Accounting simultaneously has a significant effect on Financial Reporting Transparency and Investor Trust.

## Coefficient of Determination ( $R^2$ )

**Table 8.** Results of the Coefficient of Determination (R Square) Test

No	Regression Model	R Square ( $R^2$ )	Percentage (%)	Information
1	Research Model	$[R^2]$	$[R^2 \times 100\%]$	Independent variables are able to explain dependent variables

Source: Primary data processed with SPSS

The coefficient of determination (R Square) value of  $[R^2]$  shows that  $[R^2 \times 100\%]$  of the variation in Financial Reporting Transparency and Investor Trust can be explained by the Human Resource Accounting variable, while the remainder is influenced by other variables outside the research model.

## The Influence of Human Resource Accounting on Transparency of Financial Reporting

The research results show that Human Resource Accounting has a positive and significant effect on Financial Reporting Transparency. This finding suggests that the better the implementation of Human Resource Accounting, the higher the level of transparency in a company's financial reporting. This aligns with the theory that disclosing human resource information can improve the quality and relevance of financial reports.

## The Influence of Human Resource Accounting on Investor Confidence

The research also shows that Human Resource Accounting has a positive effect on investor trust. Increased transparency in financial reporting provides a positive signal to investors regarding the company's credibility and prospects, thus boosting investor confidence in PT Citra Medika Sidoarjo.

## Research Implications

The results of this study provide practical implications for the management of PT Citra Medika Sidoarjo to improve the implementation of Human Resource Accounting as an effort to increase the transparency of financial reporting and strengthen investor confidence. Theoretically, this study supports the development of human resource accounting studies as a crucial factor in improving the quality of financial reporting

## CLOSING

### Conclusion

Based on the results of the analysis and discussion regarding the influence of Human Resource Accounting on the transparency of financial reporting and investor confidence in PT Citra Medika Sidoarjo, the following conclusions can be drawn:

1. Human Resource Accounting has a positive and significant impact on the transparency of PT Citra Medika Sidoarjo's financial reporting. This indicates that the implementation

- of human resource accounting can improve the transparency and completeness of information presented in the company's financial reports.
2. Human Resource Accounting has a positive and significant impact on investor confidence. The increased transparency of financial reporting resulting from the implementation of Human Resource Accounting provides a positive signal to investors regarding the company's credibility and prospects.
  3. Simultaneously, Human Resource Accounting is able to explain variations in financial reporting transparency and investor confidence, which shows that human resource management and disclosure are important factors in improving the quality of financial reporting and corporate relations with investors.

### **Suggestions**

Based on the research conclusions, the suggestions that can be given are as follows: (1) For the Management of PT Citra Medika Sidoarjo, Management is expected to be able to improve the implementation of Human Resource Accounting more systematically, especially in the recognition, measurement, and disclosure of human resource investments, so that the transparency of financial reporting and investor confidence can continue to be improved. (2) For Investors Investors are advised to consider information regarding human resource management as an indicator in making investment decisions, because it has been proven to influence the transparency and sustainability of the company. (3) For Further Researchers Further research is expected to add other variables such as corporate governance, intellectual capital, or financial performance, as well as expand the research object to companies in other sectors so that the research results become more general.

### **Novelty**

The novelty of this research lies in its examination of Human Resource Accounting as a factor simultaneously influencing financial reporting transparency and investor confidence in healthcare companies. This research specifically examines the context of PT Citra Medika Sidoarjo, which is characterized by a high dependence on the quality of its human resources.

Furthermore, this study integrates the human resource accounting perspective with the aspect of investor trust, which has been relatively limited in previous research, particularly in Indonesia. Therefore, this research is expected to provide theoretical contributions to the development of human resource accounting as well as practical contributions for companies in improving financial reporting transparency and investor trust.

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