



## Cost of Capital, Corporate Reputation and Human Capital Disclosure: A Study of Companies in Indonesia

Setu Setyawan<sup>1\*</sup>, Ahmad Juanda<sup>2</sup>, Lia Candra Inata<sup>3</sup>

Department of Accounting, Faculty of Economics and Business, University of Muhammadiyah Malang, Indonesia

**Corresponding Author:** Setu Setyawan [setyawan@umm.ac.id](mailto:setyawan@umm.ac.id)

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### ABSTRACT

The purpose of this study is to test and analyze the cost of capital and reputation of companies on the Human Resources disclosure. The sample in this study consisted of 318 companies the sample criteria. This research data was analyzed using a regression model of ordinary least square (OLS) estimation technique. Based on testing, researchers found that debt costs and equity costs negatively affect human resource disclosure, while company reputation is positively related to human resource disclosure. In addition, research findings from Indonesia's largest categorized industries show that debt costs and equity costs have a significant negative impact on human capital disclosure. Meanwhile, industries that are not categorized as the largest companies in Indonesia do not show significant results in both debt costs and equity costs. This study got results cost of debt and the cost of equity to human capital disclosure is driven by companies engaged in large-scale industries. This research provides contribution, insight and reference to companies in Indonesia through the HR disclosure index as a benchmark to improve HR disclosure in the future. Also, for policymakers, this research can be a consideration for making policies that HR disclosure practices as mandatory disclosures for companies.

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## INTRODUCTION

Human resources (HR) are a very important factor for institutions and companies. Human Resources are also the key that determines the development of the company. Mindset and Human Resources are challenges for companies in Indonesia in the current era to be able to collaborate to face digital transformation. Efficient human resources is skilled and knowledgeable workers are the key to achieving competitive advantage in globalized markets (Leitmann, 1996). Current developments, view human resources in the company, namely human Capital human resources in companies today are not only limited to resources that have no value, but more towards asset capital that have emerged the term H.R. (Human Resources), namely H.C. or Human Capital. Human resources (HR) valuable asset, developed and also as a liability (Hilorme et al., 2019).

The exact human resources are a catalyst for the development of other resources whose goal is to make the company survive in this modern era. As one of the intangible assets, measuring human resources is not easy (Boon et al., 2019). One commonly used method is the disclosure of human resources in the company's annual report. The financial statements prepared by the company mainly consist of a statement of financial position, income statement, and cash flow statement (Robinson et al., 2020). The three reports only provide financial information, in its development non-financial information (non-financial) is also needed by stakeholders for decision making. Therefore, it requires the development of the organization to the latest innovations and leads to the reporting required by stakeholders. The information presented in human resource accounting is very useful in various aspects (Di Vaio et al., 2020)

Information disclosure can increase stakeholder confidence, especially investors. Voluntary disclosure can reduce information asymmetry (Vitolla, et al., 2020). At this time, business competition requires companies to disclose or increase information disclosure. Thus, companies in Indonesia are expanding the level of disclosure to attract investors and gain the trust of stakeholders. Human Resource Disclosure is a step towards the development of broader disclosure innovations. Disclosure of own human resources for public companies in Indonesia itself has not become an obligation for companies with special regulations (Bhatia & Makkar, 2020). The quality and quantity of disclosure of human resources of public companies in Indonesia is still very diverse (Onuoha et al., 2020). This has an impact on stakeholders for inadequate information obtained due to lack of information about human resource assets.

The practice of human resource disclosure both in terms of measurement and human resources disclosure has not received as good attention as other areas of accounting research. The highest investment in company assets is human resource assets, but there are cases of human resource violations in Indonesia that still often occur and some cases of employees or human resources who are treated as worthless in terms of decision making. Cases of violations of human resources by unscrupulous company management are carried out by reducing wage payments and terminating employment (layoffs).

In addition, the problem of stagnant improvement in the quality of Indonesian human resources in recent years still often occurs.

The Company seeks to provide more information in the company's annual report, to provide benefits to the company, increase stock marketability, reduce the cost of capital, and increase investor confidence (Meek et al., 1995). The benefits of HR disclosure to stakeholders will increase the company's value of the organization and can improve the company's reputation (Syofyan et al., 2020). Disclosure of information by companies is based on its relationship with creditors and investors. Wang et al., (2017) found that investors are generally looking for information about the management and human resources of the companies they invest in. Aggarwal, (2022) revealed that the characteristics of the company have an impact in the voluntary disclosure of Human Resources. The Company will strive to improve human resource disclosure in the organization's annual financial statements. Voluntary information can enhance company information, which can provide analysts with an understanding of the company's prospects leading to reductions in information risk estimation (Salvi et al., 2022).

Previous research conducted by Salvi et al., (2022) revealed that human capital disclosure has a negative impact on the cost of capital and human capital disclosure has a positive impact on company value. Companies that disclose human capital voluntarily will indirectly reduce the level of company risk felt by funders. Meanwhile, the level of disclosure of the company's human capital will increase the company's value due to the increase in the company's access to external financial resources. Human resource disclosure has a significant and negative impact on debt costs and equity costs (Putra et al., 2020), but it will lead to a causality relationship. In Indonesia, the cost of debt and cost of equity are based on conditions of December 31, while the preparation and preparation of annual reports of public companies in Indonesia is carried out after December 31. That makes the cost of debt and the cost of equity a thing that happens first rather than human resource disclosure. Creditors and investors who apply high debt costs and equity costs are an indication that the company does not provide sufficient human resource disclosure for creditors and investors.

There are various studies related to human resources disclosure practices but human resource disclosure in Indonesia, for companies, has not become an important thing to disclose along with measurement and is still diverse. Therefore, there are gaps studies on human resource disclosure in Indonesia have not had much research on this subject. So, this study this research was applied in Indonesia above from previous research on HR disclosure practices in India with the application of existing companies in Indonesia. Therefore, researchers are interested in examining the role of Human Resource Disclosure on the cost of capital and corporate reputation in companies in Indonesia. In HR disclosure measurement, this study uses measurements used by Aggarwal, (2022) which consists of 88 disclosure items applied to companies in Indonesia.

The contribution of this research is the first still rare research on human resource disclosure in annual reports using a sample of Indonesian companies

and this study adds to the HR disclosure literature by focusing on the context of companies in Indonesia. This research can be informational the causes and effects of human resource disclosure, both for companies, capital owners, and the general public. Both studies also explain the casual relationship between the cost of debt, cost of equity, company reputation and human capital disclosure. The HRDI built into this study helps policymakers to create several standards regarding voluntary human resource disclosure practices in companies in Indonesia.

## **LITERATURE REVIEW**

### ***Signal Theory***

Signal theory was first introduced by Spence (1973) in his research entitled Job Market Signalling. This signal is in the form of information about things that have been done by management to realize the wishes of the owner. Signal Theory linking between information presented by companies to stakeholders is an important thing that can affect the quality of financial statements (Prasad et al., 2000). The quality of the report can be reflected through records or an overview of the state of the organization and how the market responds to that information. Complete, accurate, relevant and timely information is very important needed by as a consideration for investors to consider and analyze their investments decision making (Guthrie et al., 2004).

Signal theory deals with voluntary disclosure of human resources. The wider the disclosure of information provided, it will give positive signals to interested parties (Huggins, 1956). Disclosure of such information can be described in the financial statements. Financial reporting is based on voluntary elements with motivating factors to disclose the information, one of which is the disclosure of human resources. Disclosure of this information will increase trust and can be the information obtained will provide signals to interested parties for decision making (Komara et al., 2020).

Human resource disclosure is needed to increase company value, if the company discloses information about human resource elements, the company will have a higher value than companies that do not report HR information. Signal theory states that companies that have good quality annual reports as an effort by the company to provide excellence. More information provided by the company will be more value for the company and decision making that does not have a detrimental impact on the company (Whiting & Miller, 2008).

### ***Stakeholder Theory***

Fontaine et al., (2006), Stakeholder theory is a theory in organizational management, the company will carry out activities that can benefit stakeholders and provide information on the activities carried out to stakeholders. Stakeholder theory describes that companies will provide information voluntarily regarding organizational management information, social and intellectual environment in excess of the required information that is expected to meet stakeholder needs. This theory also explains that stakeholders need information what should be the right of stakeholders and the information is used as a consideration for decision making (Deegan, 2004).

Stakeholder theory supports that the trust of stakeholders for the organization or in this case the company is very important and the company's activities require stakeholder approval (Laplume et al., 2008). To meet the interests or needs of stakeholders by providing information through the company's financial statements. Financial reporting is one way to manage stakeholder trust, where the existence of stakeholders will affect management's mindset and perception of the urgency of the entity's accounting practices. In terms of social interests between stakeholders and organizations, it can be realized in the form of accountability and accountability that is informed through reliable, relevant, timely and understandable financial reporting for stakeholders (Donaldson & Preston, 1995).

In the context of voluntary disclosure of human resources, Activities and management of the company, stakeholders there is a right to obtain such information (Deegan, 2004). The existence of information about the information disclosed by the company gives more trust in stakeholders and to get support. With the disclosure of information from the company, it is expected that the company will meet the information needs needed by stakeholders.

#### ***Human Resource Disclosure and Debt Costs***

The cost of capital is an important factor for companies to help with capital budgeting decisions. Capital costs are needed to guarantee the existence of company capital sources while for lenders and shareholders, capital costs are seen as compensation for the risks borne (Joni et al., 2020). The amount of the cost of capital consisting of the cost of debt and the cost of equity is determined from the level of desired profit by the capital depositor and the risk borne by the capital depositor. This the level of risk occurs due to differences in information obtained from management and capital depositors (Kling et al., 2021). Thus, capital depositors need information that is reported with information obtained directly about the company's conditions and activities. As one of the most important resources, disclosure of human resources is absolutely needed by capital depositors (Orazalin, 2019). Human resource disclosure has reduced the level of asymmetric information. Disclosure of human resources is known to lead to low debt costs. Company risk can be reduced by increasing information disclosure, one of which is by disclosing human resources, which leads to lower capital costs (Salvi et al., 2022).

Cuadrado-Ballesteros & Sánchez, (2016) found that information disclosure in general has reduced the level of asymmetric information and is negatively affects the cost of capital. Information related to human resource disclosure is of relevant value and can guarantee benefits to the company not only increased value but lower capital costs (Salvi et al., 2022). In light of previous research, the cost of debt and the cost of equity are forms of asymmetric information and obscurity of companies that manage capital. In Indonesia, The cost of debt and the cost of equity are measured on conditions at the end of the year, while Disclosure of human resources in annual reports is higher is presented at the end of the fourth month after the current year ends. Thus, the high cost of debt is a sign that human resource information managing

loans is less than expected by lenders. Based on the description above of this research hypothesis:

H1: The cost of debt negatively affects human resource disclosure.

### ***Human Resource Disclosure and Cost of Equity***

Along with the cost of debt, the cost of equity also arises due to the risk of uncertainty about the shares that have been purchased. Shareholders face high business risks because they do not get enough information about the human resources of the company whose shares are purchased by shareholders. So the high cost of equity is a sign that the human resource information received is less than expected (Zhang et al., 2021). Based on the description above of this research hypothesis:

H2: Cost of equity negatively affects human resource disclosure.

### ***Human Resources Disclosure and Company Reputation***

Human Resources (HR) disclosure is a series of activities that report on what is carried out in Conventional accounting does not describe that human resource information is something that must be disclosed (Lajili, 2022). The current era gives rise to knowledge, there is a new direction or view regarding the recording and measurement of human resources and reporting practices that emphasize human resources. Human resources, have contributed to the creation of corporate wealth (Macke & Genari, 2019). If a company voluntarily discloses human resources in its reporting, it provides more value for the company and can give a positive signal to stakeholders. HR disclosure can provide benefits for the company that lead to company commitment, thereby increasing stakeholder trust. This is due to the company's increased access to external financial resources. Therefore, Human Resources (HR) has become an important element for companies to drive better company performance and higher market value (Gerhart & Feng, 2021). This will improve the company's reputation. Based on the description above of this research hypothesis:

H3: The company's reputation has a positive effect on human resource disclosure.

## **METHODOLOGY**

The data used in this study is sourced from the annual report of related companies obtained from the official website of the Indonesia Stock Exchange, the official website of related companies, and the ORBIS database. The population of this study is all companies listed on the Indonesia Stock Exchange in 2021-2022. This study did not involve companies engaged in the financial industry due to different annual report formats as well as companies that did not have enough information needed for the study.

The independent variables in the study were the cost of debt, the cost of equity and the reputation of the company. The cost of capital consists of the cost of debt and the cost of capital. The cost of debt or referred to as the cost of debt is a number of costs or obligations that must be paid by the company. Researchers used the same measurements as Barus & Siregar, (2015) for debt costs, namely:

$$\text{Cost of debt} = \frac{\text{Total interest expense}}{\text{Amount of debt}}$$

The cost of equity is the rate of return an investor uses to discount dividends expected to receive in the future. Measurement of the cost of equity using the discount dividend model (Embong et al., 2012). This model measures the cost of equity by the formula:

$$\text{COE} = \frac{D_t}{m_p} + g$$

Description:

COE = cost of equity

D<sub>t</sub> = current year dividend

M<sub>p</sub> = the market price of the company's shares in the current year

G = Constant change of dividends

Company reputation is the view or perception of stakeholders to the company on performance and trust in the company over time (Walsh et al., 2009). A company's reputation is measured using the Corporate Image Index (CII) Score in the annual Corporate Image Award ([www.imacaward.com](http://www.imacaward.com)) survey.

The dependent variable in research is the disclosure of human resources as measured by content analysis. The study used an annual report where content and disclosure rates were measured by a disclosure index consisting of 88 items that had been conducted by the study (Aggarwal, 2022).

Table. 1. Human Resource Disclosure Index

No	Human Resource Disclosure Variables
<b>A. Disclosure of human resource policy components and vision</b>	
1	Recruitment and selection policy
2	Equal opportunity and non-discrimination policy
3	Policies towards women's empowerment
4	Training policy
5	Child labor/forced labor policy
6	Policies to address sexual misconduct
7	Whistleblowing
8	Remuneration policy for employees
9	Employee Defense
10	Reward policy
11	Bonus scheme policy
12	Employment compliance
<b>B. Disclosure of general information about human resources components</b>	
1	Training/qualifications
2	Work experience
3	Training index
4	Variety of employees
5	Amount of worker
6	Region of worker

7	Employee categories	
8	Employees Age	
9	Number of female worker	
10	Number of worker disabilities	
11	Number of incoming and outgoing employees	
12	Onboarding programs	
<b>C. Disclosure of financial information relating to the human resources component</b>		
1	Use of funds for employee recruitment	
2	The amount of expenditure on training	
3	Safety costs	
4	Revenue share/ESOP	
5	Receivables payable for employees	
6	Selling per employee	
7	Welfare costs of employees	
8	Employee costs from operating income	
9	Funding for employee welfare(	
10	Compensation Worker	
11	Absence of compensation and disbursement of leave	
12	Benefits of employee termination	
13	Terms or contributions for employee or worker pension benefits such as pension provisions, provident funds, gratuity funds, etc.	
14	Termination of Employment Information (PHK)	
15	Medical advantage	
<b>D. Disclosures relating to the importance of human resources to organizational components</b>		
1	Company recognition that human resources are important	
2	The amount employee value in annual report	
3	Employee value added	
4	Worker assessment	
5	Split HRA disclosure	
6	Scoring models	
7	Discounted rates	
8	Distribution of employees by age	
9	Worker cost (%)	
10	HRV to amount resources	
11	The concept of human resource development	
12	Building a strong company brand	
<b>E. Disclosure of human resource development components</b>		
1	Employee skills development	
2	Planning in management	
3	Training of new/old Employees to Increase Productivity	
4	Presentation of employees who have been given training	
5	Employee skills for in-house programs	
6	Training centers	

7	Work rotation	
8	Performance Measurement	
9	Employee appreciation	
10	Entrepreneurship innovation	
<b>F. Disclosure of employee health and safety components</b>		
1	Designing Occupational Health and Safety Promotion Programs	
2	Occupational Safety and Health Training (K3)	
3	Provide low-cost healthcare for employees	
4	Establish safety departments/committees	
5	Health protocol compliance	
6	Occupational safety awards	
<b>G. Disclosure of components of human resource and cultural relations</b>		
1	Fair work ethic	
2	Adhere to Human Rights	
3	Work motivation	
4	Worker relations	
5	Rewards to employees	
6	Trade union/trade union/association activities	
7	Corporate negotiations	
8	Number of Forced child labor cases	
9	Cases of sexual harassment	
10	Penalties for employees	
11	Community Engagement	
<b>H. Disclosure of various benefits/assistance provided to employees</b>		
1	Staff Accommodation Expenses	
2	Employee Entertainment	
3	Subsidized cafeteria	
4	Vehicle subsidies	
5	Information for leave	
6	Benefits of vacation	
<b>I. Disclosure of employee engagement and empowerment components</b>		
1	Employee involvement	
2	Employee engagement survey	
3	Empowerment of employees	
4	Employee feedback	

### *Data Analysis Methods*

This study aims to examine the effect of debt costs, cost of equity and company reputation on human capital disclosure. To test these variables, an ordinary least square (OLS) estimation technique regression model was used using STATA software. In this study using regression analysis of Cross-Sectional Ordinary Least Square method. Regression analysis is used to examine the relationship of debt cost, cost of equity and reputation to human capital disclosure. The regression analysis models developed for this study are:

$$\text{Human Resources} = \beta_0 + \beta_1\text{COD}_{i,t} + \beta_2\text{COE}_{i,t} + \beta_3\text{RPS}_{i,t},t$$

After obtaining the best model, hypothesis testing is then carried out by conducting a partial t test, F test, and coefficient of determination ( $R^2$ ). The partial significance test is carried out using the t test with the aim of seeing how much influence each independent variable partially has in explaining the dependent variable.

The overall model significance test can be done with the F test. F test aims to see whether there is a joint influence between independent variables on the dependent variable. While the coefficient of determination ( $R^2$ ) is one form of statistical value that it can be used to find out if there is an influence relationship between two variables. The coefficient of determination ( $R^2$ ) essentially measures how far the model is able to explain the variation of the dependent variable.

## RESULTS AND DISCUSSION

### *Descriptive Statistical Results*

Table 2. Descriptive Statistics Table

	Mean	Median	Minimum	Maksimum
SDM (Y)	72.923	41.000	1.000	547.000
COD (X1)	4.599	0.145	0.000	124.424
COE (X2)	0.085	0.000	-1.000	713.905
RPS (X3)	0.374	0.000	0.000	1.000

Based on the sample data above, a descriptive statistical test has been carried out with the results of the value of human resource disclosure (HR) minimum value of 1 and a maximum of 547, which means that the average company discloses human resource elements in the annual report by 1 percent and a maximum of 547 percent. Debt costs have a minimum value of 0 because there are some companies that do not have interest or financial expenses in the current year. The cost of equity has a minimum value of -1 because there are some companies that do not make dividend payments at the time of the current year. While the reputation value has a minimum value of 0 and a maximum of 1.

### *Classic Assumption Test*

Based on the results of classical assumption tests on 4 tests, namely multicollinearity tests, autocorrelation tests, heteroscedasticity tests, normality tests that this study can pass the 4 tests. Normality test, probability value is more than 0.05, then it can be concluded that the data is normally distributed. In addition, for multicollinearity test, autocorrelation test, heteroscedasticity test free from symptoms of multicollinearity, heteroscedasticity, autocorrelation.

*OLS Model Regression Test*

Table 3. Entire Sample OLS Regression Test Table

Variable	Hyphotesis/ Relationship	Coefficient Result	Test Result
COD	-	-2.633	0.049**
COE	-	-0.986	0.015**
RPS	+	5.430	0.031**
CONSTANT		0.001	4.680
r2			0.340
N			318

Based on the results of the regression test above in the table above shows the results of regression analysis using all samples from the study. The table illustrates that the cost of debt to human resource disclosure is negative significant with a value of (-2,633) which has a significance level of 4.9%. Meanwhile, the relationship of equity cost to human resource disclosure shows significant results but has negative results. For the reputation variable showed significant results and positive coefficient values.

After conducting regression analysis tests for all samples, researchers are interested in grouping samples into two categories, namely the largest company in Indonesia or not to examine more deeply the relationship of this study. According to data, there are 100 companies in Indonesia that are categorized as the largest companies in Indonesia as measured by revenue level and other elements.

For the largest industries in Indonesia, presented in table 4 shows that the cost of debt and the cost of equity have a significant negative impact on human resource disclosure. As for industries that are not categorized as the largest companies in Indonesia, presented in table 5 do not show significant results in both debt costs and equity costs. The results of the two tables show that the relationship between the cost of debt and the cost of equity to human resource disclosure is driven by companies engaged in large-scale industries.

Table 4. OLS Regression Test Table of the Largest Industrial Sample in Indonesia

Variable	Hyphotesis/ Relationship	Coefficient Result	Test Result
COD	-	-1.773	0.017**
COE	-	-2.350	0.035**
RPS	+	3.720	0.041**
CONSTANT		0.015	2.730
r2			0.257
N			98

n=98\*, t < 0.05 \*\*

Table 5. OLS Regression Test Table Industrial Samples are not categorized as the Largest in Indonesia

Variable	Hyphotesis/ Relationship	Coefficient Result	Test Result
COD	-	-0.730	0.187
COE	-	0.860	0.085
RPS	+	3.720	0.021**
CONSTANT		-3.450	-3.540
r2			0.247
N			220

n=220\*, t < 0.05 \*\*

### *The Cost of Debt to Human Resource Disclosure*

The test results show that variable debt costs negatively affect human resource disclosure. From the lender's side, the high debt costs provided by creditors to the debtor are the lender's risk for lack of information about the capabilities of human resources who borrow funds. Human resource disclosure can reduce lender risk leading to lower cost of capital (Salvi et al., 2022). Meanwhile, from the investor or capital depositor side, disclosure of human resources is absolutely needed by capital depositors (Orazalin, 2019). Companies can minimize investors' assumptions corporate risk by increasing HR disclosure, leading to a rate of return on capital (Salvi et al., 2022). In the sample of companies categorized as the largest industry in Indonesia showed the same results, namely having a negative influence on human resource disclosure, while for industries that were not categorized as the largest in Indonesia showed insignificant results. This is based on the lender's assumption of the company's future future. Companies that are not categorized as large companies lead that the company cannot provide favorable certainty for lenders. So that the cost of debt cannot influence the company to provide more disclosure of human resource information.

The study of Cuadrado-Ballesteros & Sánchez, (2016) found that information disclosure in general has reduced the level of asymmetric information and is Negative influence associated with the cost of capital. Information related to human resource disclosure is of relevant value and can guarantee benefits to the company not only increased value but lower capital costs (Salvi et al., 2022). Based on stakeholder theory, Stakeholders get information from the company's management regarding the management of the organization needed (Deegan, 2004), in this context voluntary disclosure of human resources. The existence of information about the information disclosed by the company will increase trust in stakeholders and to get support.

### *Cost of Equity to Human Resource Disclosure*

The test results show that the variable cost of equity negatively affects human resource disclosure. From the side of investors or shareholders, investors will pay attention to the risks that will be faced for the continuity of the company's business. Shareholders will need all information regarding

human resources and other information to consider investment decisions, so that human resource disclosure is an indication of the level of cost of equity (Vitolla et al., 2020). Shareholders face high business risks because they do not get enough information about the human resources of the company whose shares are purchased by shareholders. So the high cost of equity is a sign that the human resource information received is less than expected (Zhang et al., 2021).

The results of research on the cost of equity on human resource disclosure in a sample of companies categorized as the largest industry in Indonesia showed the same result, which had a negative influence on human resource disclosure. As for industries that are not categorized as the largest in Indonesia, they show insignificant results. The main factor that makes this is that shareholders can find out information about human resources not only through disclosure in the annual report so that the level of equity costs is not an indication that shareholders do not have enough human resource information (Salvi et al., 2020).

#### ***Company Reputation for Human Resource Disclosure***

The test results show that the company's reputation variable has a positive effect on human resource disclosure. Good corporate value, it can encourage the Company to make more disclosures about information needed by stakeholders including disclosure of human resources. Human resources, have contributed to the creation of corporate wealth (Macke & Genari, 2019). If a company voluntarily discloses human resources in its reporting, it provides more value for the company and can give a positive signal to stakeholders. Human Resources disclosure can provide benefits for the company that lead to company commitment, thereby increasing stakeholder trust. This is due to the company's increased access to external financial resources. Therefore, Human Resources (HR) has become an important element for companies to drive better company performance and higher market value (Gerhart & Feng, 2021).

This research supports the theory of stakeholders, In the context of voluntary disclosure of human resources, Stakeholders have the right to get the information needed, especially in the management of the organization (Deegan, 2004). The existence of information about the information disclosed by the company will increase trust in stakeholders and to get support. With the disclosure of information from the company, it is expected that the company will be able to meet the information needs needed by stakeholders and increase trust.

#### **CONCLUSION AND RECOMMENDATION**

The purpose of this study is to test and analyze the cost of debt, cost of equity and company reputation against Human Resources disclosure. The sample in this study consisted of 318 companies that met the sample criteria. This research data was analyzed using a regression model of ordinary least square (OLS) estimation technique. The results found that debt costs and equity costs negatively affect human resource disclosure. Human resource disclosure

can reduce lender risk leading to lower capital costs. Companies can minimize the risk of activities carried out by means of HR disclosure. While the company's reputation is positively related to the disclosure of human resources. In addition, research findings from Indonesia's largest categorized industries show that debt costs and equity costs have a significant negative impact on human capital disclosure. Meanwhile, industries that are not categorized as the largest companies in Indonesia do not show significant results in both debt costs and equity costs. This study provides an overview of the relationship between the cost of debt and the cost of equity to human capital disclosure is driven by companies engaged in large-scale industries.

This research provides contribution, insight and reference to companies in Indonesia through the HR disclosure index as a benchmark to improve HR disclosure in the future. Also, for policymakers, this research can be a consideration for making policies that HR disclosure practices as mandatory disclosures for companies. This research has several limitations, first, the disclosure of human resources is only limited to disclosures in the annual report. Second, not all of the company's annual reports are available on the Indonesia Stock Exchange website or on the official website of the related company. So based on the limitations of this study, further research suggestions deepen the measurement of human resource disclosure using measurements from other sources.

#### **ADVANCED RESEARCH**

This research has several limitations, first, the disclosure of human resources is only limited to disclosure in the annual report, it has not yet expanded to other sources such as social media and the company's official website. Second, not all annual reports of companies are available on the Indonesia Stock Exchange website or on the official website of the relevant company. Therefore, based on the limitations of this study, the next research suggestion is to deepen the measurement of human resource disclosure using measurements from other sources.

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