

**AN EMPIRICAL STUDY OF THE  
IMPACT OF HUMAN RESOURCES  
ACCOUNTING INFORMATION ON  
CORPORATE INVESTOR'S  
DECISIONS**

by

**R.A.A.S. PERERA  
GSIM.Sc./MGT/2963/06**

**Thesis submitted to the University of Sri Jayewardenepura for the  
award of the Degree of Master of Science in Management on**

**2010**

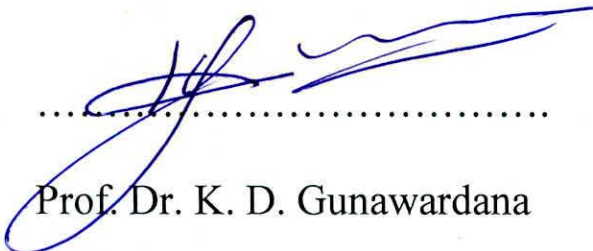
The work described in this thesis was carried out by me under the supervision of Prof. Dr. K. D. Gunawardana and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/Diploma.



.....

R.A.A.S.Perera

I certify that the above statement made by the candidate is true and that this thesis is suitable for submission to the University for the purpose of evaluation.

  
.....  
Prof. Dr. K. D. Gunawardana

..... 22/03/10

Date

Supervisor **Prof. Dr. Kennedy D. Gunawardana**  
B.Sc(SJP), MBA(Col), PHD(Abac), CMA(Au)  
Prof of Accounting, Department of Accounting  
University of Sri Jayewardenepura,  
Nugegoda, Sri Lanka.

## TABLE OF CONTENT

<b>LIST OF TABLES</b>	<b>vi</b>
<b>LIST OF FIGURES</b>	<b>x</b>
<b>ACKNOWLEDGEMENT</b>	<b>xii</b>
<b>ABBREVIATION</b>	<b>xiii</b>
<b>ABSTRACT</b>	<b>xiv</b>
<b>CHAPTER ONE</b>	<b>1</b>
<b>INTRODUCTION</b>	<b>1</b>
<b>CHAPTER OUTLINE</b>	<b>1</b>
<b>1.1 Background to the study</b>	<b>1</b>
<b>1.2 Problem statement</b>	<b>4</b>
<b>1.3 Problem justification</b>	<b>5</b>
<b>1.4 Objectives of the study</b>	<b>7</b>
<b>1.5 Significance of the research</b>	<b>8</b>
<b>1.6 Theoretical framework</b>	<b>9</b>
<b>1.7 Hypotheses</b>	<b>10</b>
<b>1.8 Methodology</b>	<b>11</b>
1.8.1 Sample of the study	11
1.8.2 Data collection	12
1.8.3 Operationalisation of variables	14
1.8.4 Methods of data analysis	16
<b>1.9 Scope of the study</b>	<b>16</b>
<b>1.10 Limitations</b>	<b>17</b>

<b>1.11 Time plan of the study and Gantt chart</b>	<b>17</b>
<b>1.12 Outline of the study</b>	<b>19</b>
<b>CHAPTER TWO</b>	<b>20</b>
<b>LITERATURE REVIEW</b>	<b>20</b>
<b>2.1 Introduction of HRA</b>	<b>20</b>
<b>2.2 Evolution of Human Resources Accounting</b>	<b>22</b>
<b>2.3 Human Resources Accounting Models</b>	<b>24</b>
2.3.1. The cost approach	
2.3.2. The economic value approach	
<b>2.4 HRA and external financial reporting</b>	<b>28</b>
<b>2.5 HRA research and application</b>	<b>30</b>
<b>2.6 Rules and regulation on HRA</b>	<b>31</b>
<b>2.7 Review of local commercial banks (registered under CSE)</b>	
<b>annual reports</b>	<b>35</b>
<b>2.8 Summary</b>	<b>47</b>
<b>CHAPTER THREE</b>	<b>48</b>
<b>METHODOLOGY</b>	<b>48</b>
<b>3.1 Introduction</b>	<b>48</b>
<b>3.2 Research design</b>	<b>48</b>
<b>3.3 Pilot Survey</b>	<b>49</b>
<b>3.4 Research methods</b>	<b>50</b>
3.4.1 Survey methods	50
3.4.2 Population	51
3.4.3 Sample and sampling method	51

3.4.4	Operationalisation of variables	60
3.4.5	Instrumentation question and data collection item	62
<b>3.5</b>	<b>Data analysis methods</b>	<b>62</b>
<b>3.6</b>	<b>Conceptual framework</b>	<b>63</b>
3.6.1	Financial Human Resources Accounting Information	64
3.6.2	Non Financial Human Resources Accounting Information	65
3.6.3	Knowledge of the Investor	66
3.6.4	HRA and investor decisions	66
<b>3.7</b>	<b>Research Hypotheses</b>	<b>67</b>
<b>3.8</b>	<b>Summary</b>	<b>70</b>
	<b>CHAPTER FOUR</b>	<b>71</b>
	<b>DATA ANALYSIS</b>	<b>71</b>
<b>4.1</b>	<b>Introduction</b>	<b>71</b>
<b>4.2</b>	<b>Analysis of the Reliability and the Validity of the Instruments</b>	<b>71</b>
<b>4.3</b>	<b>Descriptive data analysis</b>	<b>72</b>
4.3.1	Analysis of no of respondents	73
4.3.2	General profile of the companies	76
4.3.3	Analysis of portfolio managers	78
4.3.4	Average level of annual investment in the stock market	79
4.3.5	Analysis of financial human resources accounting Information	80
4.3.6	Analysis of non financial human resources accounting Information	86
4.3.7	Analysis of knowledge of the Investor	

towards Human Resources Accounting Information	99
4.3.8 Summary of descriptive statistics	111
<b>4.4 Hypothesis testing</b>	<b>113</b>
4.4.1. Correlation of data	114
4.4.2 Simple Liner Regression Analysis	117
4.4.3 Multiple Liner Regression Analysis	128
<b>4.5 Summary</b>	<b>135</b>
<b>CHAPTER 05</b>	<b>137</b>
<b>DISCUSSION</b>	<b>137</b>
5.1 Introduction	137
5.2 Financial Human Resources Accounting Information	137
5.3 Non Financial Human Resources Accounting Information	138
5.4 Knowledge of the Investor towards Human Resources Accounting Information	139
5.5 FHRAI, NFHRAI, KOIN	140
5.6 Summary	141
<b>CHAPTER SIX</b>	<b>142</b>
<b>CONCLUSION AND RECOMMENDATIONS</b>	<b>142</b>
6.1 Introduction	142
6.2 Conclusion	142
6.3 Recommendation	143
6.4 Future research	144
6.5 Summary	145

<b>REFERENCES</b>	<b>146</b>
<b>APPENDICES</b>	<b>152</b>
<b>APPENDIX 1 – QUESTIONNAIRE OF THE STUDY</b>	<b>153</b>



## **LIST OF TABLES**

Table 1.1	No of employees for 2007, 2008
Table 1.2	Selected samples
Table 1.3	Time plan
Table 1.4	Gantt chart
Table 2.1	Human resources valuation in the annual report of the Commercial bank
Table 2.2	Age analysis of Commercial bank
Table 2.3	Service analysis of Commercial bank
Table 2.4	Turnover, Profit before tax and assets per employee of Commercial bank
Table 2.5	Personal cost per employee of Commercial bank
Table 2.6	Turnover, Profit before tax and assets per employee of Sampath bank
Table 2.7	Training and development cost per employee, staff welfare cost per employee of HNB
Table 2.8	Turnover, Profit before tax and assets per employee of HNB
Table 2.9	No of employees and personal costs of NTB
Table 2.10	Turnover, Profit before tax and assets per employee of NTB
Table 2.11	Profits per average staff and personal costs of Seylan bank
Table 2.12	Turnover, Profit before tax and assets per employee of Seylan bank
Table 2.13	Cost per employee, the ratio of HR cost to revenue of Pan Asia Bank
Table 2.14	Turnover, Profit before tax and assets per employee of Pan Asia Bank
Table 2.15	Staff growth, Staff retention of Pan Asia Bank
Table 3.1	Selection of sample from population
Table 4.1	Cronbach's alpha coefficient
Table 4.2	Total companies, questionnaires sent, received, rejected and not received

Table 4.3	Type of the business
Table 4.4	No of years of existence
Table 4.5	Portfolio managers
Table 4.6	Average level of annual investment in the stock market
Table 4.7	Salary paid to the staff
Table 4.8	Returns on investment of training and development
Table 4.9	Disclosure of cost on training and development
Table 4.10	Incentives, salary, bonus, increments
Table 4.11	Employee welfare
Table 4.12	Disclosure of ratios
Table 4.13	HR capacity
Table 4.14	Employee skills and competencies
Table 4.15	Impact of training and development on performances
Table 4.16	Values of HR
Table 4.17	Relationship between management and the employees
Table 4.18	Intervention of HR to the strategic planning
Table 4.19	No of recruitment
Table 4.20	Retention of existing staff
Table 4.21	No of labour disputes
Table 4.22	Qualification of the employees
Table 4.23	Age analysis and gender analysis
Table 4.24	Working condition of the investment company
Table 4.25	HR value and the development of the company
Table 4.26	Value of HR and salary, promotion, incentives

Table 4.27	Integration of HRAI with management control process
Table 4.28	Cost and value of HR and recruitment decisions
Table 4.29	Need of legal requirement to report the value of HR
Table 4.30	Calculation method of value of HR
Table 4.31	Value of HR and business valuation
Table 4.32	Popularity of calculation methods of value of HR
Table 4.33	Employees and success of the organization
Table 4.34	Implementation of HRAI system and requirement of large number of data
Table 4.35	Summary of descriptive analysis
Table 4.36	Correlation between variables FHRAI, NFHRAI, KOIN
Table 4.37	Correlation between variables FHRAI, NFHRAI, KOIN and investor's stock acquisition decisions
Table 4.38	Correlation between variables FHRAI, NFHRAI, KOIN and investor's stock disposal decisions
Table 4.39	Model summary- hypothesis 1
Table 4.40	ANOVA(b) - hypothesis 1
Table 4.41	Model summary- hypothesis 2
Table 4.42	ANOVA(b) - hypothesis 2
Table 4.43	Model summary- hypothesis 3
Table 4.44	ANOVA(b) - hypothesis 3
Table 4.45	Model summary- hypothesis 4
Table 4.46	ANOVA(b) - hypothesis 4
Table 4.47	Model summary- hypothesis 5

Table 4.48	ANOVA(b) - hypothesis 5
Table 4.49	Model summary- hypothesis 6
Table 4.50	ANOVA(b) - hypothesis 6
Table 4.51	Model summary- hypothesis 7
Table 4.52	ANOVA(b) - hypothesis 7
Table 4.53	Model summary- hypothesis 8
Table 4.54	ANOVA(b) - hypothesis 8
Table 4.55	Summary of hypotheses testing

## LIST OF FIGURES

- Figure 2.1 Gender analysis of Commercial bank
- Figure 2.2 Analysis of staff recruitment of Commercial bank
- Figure 2.3 Age analysis of HNB
- Figure 2.4 Gender analysis of HNB
- Figure 2.5 Service analysis of HNB
- Figure 2.6 Age analysis, Gender analysis and service analysis of Pan Asia Bank
- Figure 3.1 Conceptual framework
- Figure 4.1 Top 20 largest registered shareholders(voting)
- Figure 4.2 Total companies, questionnaires sent, received, rejected and not received
- Figure 4.3 Type of the business
- Figure 4.4 No of years of existence
- Figure 4.5 Portfolio managers and no of portfolio managers
- Figure 4.6 Salary paid to the staff
- Figure 4.7 Returns on investment of training and development
- Figure 4.8 Disclosure of cost on training and development
- Figure 4.9 Incentives, salary, bonus, increments
- Figure 4.10 Employee welfare
- Figure 4.11 Disclosure of ratios
- Figure 4.12 HR capacity
- Figure 4.13 Employee skills and competencies
- Figure 4.14 Impact of training and development on performances
- Figure 4.15 Value of HR
- Figure 4.16 Relationship between management and the employees

- Figure 4.17 Intervention of HR to the strategic planning
- Figure 4.18 No of recruitment
- Figure 4.19 Retention of existing staff
- Figure 4.20 No of labour disputes
- Figure 4.21 Qualification of the employees
- Figure 4.22 Age analysis and gender analysis
- Figure 4.23 Working condition of the investment company
- Figure 4.24 HR value and the development of the company
- Figure 4.25 Value of HR and salary, promotion, incentives
- Figure 4.26 Integration of HRAI with management control process
- Figure 4.27 Cost and value of HR and recruitment decisions
- Figure 4.28 Need of legal requirement to report the value of HR
- Figure 4.29 Calculation method of value of HR
- Figure 4.30 Value of HR and business valuation
- Figure 4.31 Popularity of calculation methods of value of HR
- Figure 4.32 Employees and success of the organization
- Figure 4.33 Implementation of HRAI system and requirement of large number of data

## ACKNOWLEDGEMENT

It gives me immense pleasure to place on record, my deep sense of gratitude to a number of people who helped me during this endeavor.

I desire to convey my heartfelt indebtedness to my supervisor, Prof. Dr. K. D. Gunawardana, Professor of Accounting, Department of Accountancy, Faculty of Management studies and Commerce, University of Sri Jayewardenepura, Sri Lanka for his guidance, precious advice and the assistance through the entire research. Without his encouragement and persistence help, during the periods that I faced a lot of hardship in my life, this research would not have been possible.

I express my thankfulness to, Dr. P. D. Nimal, Coordinator of M.Sc. (Management) programme, and the panel of lecturers who provide us the tremendous theoretical and practical knowledge during our entire degree programme 2006/ 2007.

I wish to express my gratefulness to Mr. M.M.M.Shamil, coordinator of IRQUE project of the Department of Commerce and Financial Management, University of Kelaniya, and my colleagues for their invaluable encouragement and technical assistants during my research.

Special thanks are due for all the respondents who completed the questionnaires and returned them on time for enabling me to analyze the data without delay.

Also I would like to express my gratitude to Mr. Chinthaka for his support in conducting interviews with me and all participants for the interviews. Without his commitment I would not have been able to successful in gathering information.

Finally, I would like to thank my husband, Mr. Bimsara Jayasinghe for his endurance when I devote his time and my time for my studies.

## **ABBREVIATIONS**

HR	Human Resources
HA	Human Assets
HRA	Human Resources Accounting
HRAI	Human Resources Accounting Information
FHRAI	Financial Human Resources Accounting Information
NFHRAI	Non Financial Human Resources Accounting Information
KOIN	Knowledge of the Investor
CSE	Colombo Stock Exchange
ANOVA	Analysis of Variance



**AN EMPIRICAL STUDY OF THE IMPACT OF HUMAN  
RESOURCES ACCOUNTING INFORMATION ON CORPORATE  
INVESTOR'S DECISIONS**

**ABSTRACT**

The success or failure of every organization is based on effective utilization of the enterprise's resources. Accountants much concern physical and financial assets while tend to ignore similar accountability for key element for success of the organization. That is organization's employees. Managers as well as the stock holders have been demanding information on financial statement before they make decisions. Disclose each and every item in the Financial Statements will be an additional advantage to the decision maker. Since Human Assets are one of the most important factors to any of the organization, measuring and inclusion of Human Assets into the financial statement will benefit to the external users (Elias N., 1972). Therefore, this study attempts to examine the effect of Human Resources Accounting Information on investor's share acquisition and disposal decisions. This study was carried out among 37 corporate investors who invest in commercial banks registered under CSE by using the random sampling method. A self administered questionnaire was used for collecting data from the corporate investors.

The findings revealed that there is significance difference among the variables - Financial HRAI, Non financial HRAI, Knowledge of the Investor towards the HRAI and corporate investor's stock acquisition decisions (0.000) at significance level 0.05. Based upon the responses, null hypothesis was rejected. At the same time there is significance difference among the variables Financial HRAI, Non financial HRAI,

Knowledge of the Investor towards the HRAI and corporate investor's stock disposal decisions (0.024) at significance level 0.05.

When analyze the significance among the individual variables and corporate investor's stock acquisition and disposal decisions, findings revealed that though there is significance difference among the variables (Financial HRAI, Non financial HRAI, Knowledge of the Investor towards the HRAI ) collectively on investor's stock disposal decisions, but no significance differences among the variables Non Financial HRAI and corporate investor's stock disposal decisions (0.100) at significance level 0.05.