Board Diversity and Human Capital Reporting of Selected Firms: Evidence from Nigeria

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Abstract: This study examined the influence of board diversity on human capital reporting (HCR) in selected firms, focusing on the impact of board gender composition, audit committee gender composition, foreign directorship and the educational qualifications of board members. Utilizing a robust dataset and employing quantitative methods. The research finds that approximately 20.56% of the variation in HCR can be explained by the independent variables included in the model. The study highlights a statistically significant relationship, supported by an F-statistic of 18.76 (p-value = 0.0000), indicating the relevance of diverse governance structures in promoting transparency and accountability in human capital reporting. Empirical evidence from recent literature reinforces these findings, demonstrating that organizations with diverse boards are more likely to engage in comprehensive and transparent human capital disclosures. The theoretical framework applied underscores the critical role of board diversity in enhancing corporate governance and stakeholder engagement. The study concludes that fostering diversity within boards and audit committees can lead to improved HCR, ultimately contributing to better organizational performance and accountability. Recommendations for practice include promoting gender diversity and educational qualifications on boards to enhance human capital reporting and stakeholder communication.

Keywords: board diversity; human capital; transparency; performance; Nigeria

1. Introduction

The examination of human capital (HC), which plays a crucial role in supporting company performance, growth, and long-term sustainability, is increasingly gaining attention from both academic and professional researchers. Human capital provides businesses with the drive and capabilities needed to remain competitive in the marketplace. It is widely recognized as a key value driver and a strategic asset that enhances the competitiveness of firms (Lerro & Schiuma, 2013). Human capital consists of the skills, expertise, competencies, and knowledge possessed by employees,

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which organizations can leverage to create competitive advantages or develop products (Lerro et al., 2014). Furthermore, human capital has the potential to bridge the gap between a company's book value and its market value (Ahangar, 2011; Rahman et al., 2012). By fostering value creation through innovation, enhancing operational efficiency, and strengthening customer-supplier relationships, human capital significantly contributes to an organization's competitive edge (Malik et al., 2012). In the broader field of intellectual capital research, human capital stands as a central component. In Nigeria, the Industrial Training Amendment Act of 2011, which updated the Industrial Training Act, mandates companies to cultivate relevant skills, thereby developing a pool of local human capital capable of meeting the country's economic needs.

According to Abhayawansa and Abeysekera (2008), different countries vary in the extent of human capital information they disclose, with some nations providing more transparency than others. However, companies often place greater emphasis on structural and relational capital rather than human capital. Human capital reporting (HCR) plays an important role in closing the knowledge gap between management and stakeholders by revealing valuable information that is not typically found in a company's financial statements (Eccles & Mavrinac, 1995; White et al., 2007). The objective is to meet stakeholders' information needs by disclosing how firms manage their human capital, which is often regarded as one of their most valuable resources (Striukova et al., 2008; Gowthorpe, 2009). Despite the significant value that HCR provides to organizations, formalization of these reporting practices remains limited. Nigeria's standing on the global scale in terms of human development further underscores the need for better human capital reporting. According to the United Nations Development Programme's 2020 Human Development Index (HDI) report, Nigeria ranked 161 out of 189 countries, with a 2019 HDI value of 0.539, placing it in the low human development category. This poor human development level stifles productivity and hinders national progress. Numerous challenges, such as insufficient institutional support, inadequate infrastructure, pervasive corruption, and weak regulatory enforcement, continue to impede the growth and development of human capital in Nigeria (Anakwe, 2002; Gbadamosi & Adisa, 2022).

The Nigerian Code of Corporate Governance (NCCG) emphasizes transparency and requires companies to disclose sufficient information on human resource policies as part of best governance practices (FRCN, 2018). This regulation aims to improve human capital development, which is critical to driving national progress. Hence, studying human capital reporting is essential for evaluating firms' human capital performance and the role it plays in the broader economy.

Findings from studies on human capital reporting present mixed results (Abhayawansa & Abeysekera, 2008). Some researchers, such as Bezhani (2010) and Feleaga et al. (2013), noted weak and declining reporting practices among organizations. In contrast, others, including Abeysekera and Guthrie (2005) and Raimo et al. (2020), found that human capital reporting has improved over time. Research from developing countries consistently shows low levels of disclosure (Musman & Abdulrahman, 2013; Bhasin, 2016; Abdullrazak et al., 2016; Al-Hajaya et al., 2019). As developing countries continue to experience lower transaction costs and spontaneous human capital growth, there is a pressing need for comprehensive studies on human capital reporting incentives within these regions (Abeysekera & Guthrie, 2005). Nigeria, in particular, is richly endowed with human capital and stands to benefit from increased corporate transparency regarding human resources, which can enhance labor and capital market efficiency. Human capital reporting is a crucial tool for communicating a company's performance regarding its workforce to stakeholders, aiding in their decision-making processes (Tejedo-Romero & Araujo, 2022). According to Hitt et al. (2002), companies that engage in comprehensive human capital reporting may gain a competitive edge in the global market. By addressing the information asymmetry between managers and potential investors, human capital reporting can reduce a firm's cost of equity capital (Cormier et al., 2009), thereby facilitating the financing of new business ventures (Shane & Cable, 2002).

Despite extensive research on corporate governance and its impact on financial performance, there is a significant gap in the literature regarding the influence of board and audit committee characteristics on Human Capital Reporting (HCR), particularly in developing economies. Existing studies have largely focused on the financial benefits of board gender diversity, audit committee composition, foreign directorship, and board members' educational qualifications, while their direct impact on non-financial disclosures like HCR remains underexplored. For instance, the influence of board gender diversity on HCR has not been conclusively established, especially in contexts where transparency in workforce management is crucial. Similarly, while gender diversity in audit committees has been linked to improved financial oversight, its role in fostering comprehensive human capital disclosures is unclear. Moreover, although foreign directorship is often associated with the adoption of global best practices, there is limited empirical evidence on whether foreign directors enhance human capital transparency. Additionally, while board education has been linked to better governance outcomes, its specific influence on HCR is under-researched. Addressing these gaps will provide critical insights into how corporate governance factors drive human capital transparency and disclosure practices, which are becoming increasingly important in the context of ESG reporting. Therefore, this study seeks to contribute to the growing body of knowledge by providing distinct evidence on human capital reporting in Nigeria by addressing the objective listed below: To examine the influence of board gender composition on human capital reporting (HCR) in selected firms to.

2. Literature Review and Hypotheses Development

2.1. Human Capital Reporting (HCR)

Human capital (HC) is defined by Ofor and Onyekachi (2022) as the collective knowledge, skills, innovation, and abilities possessed by individual employees within an organization to successfully execute tasks. Human capital reporting (HCR), on the other hand, pertains to the voluntary provision of information about intangible assets, including an organization's values, culture, employee competencies, and overall philosophy. Stakeholder theory offers a relevant framework for understanding HCR, emphasizing that businesses exist within intricate multi-party environments where stakeholders hold various expectations (Cots, 2011). According to this theory, corporations must address these diverse needs, balancing the interests of multiple groups such as employees, investors, suppliers, and customers by sharing detailed and transparent human capital information. In compliance with these ideas, the Nigerian Code of Corporate Governance (NCCG) mandates that boards voluntarily disclose information on human capital. This kind of reporting encourages more significant engagement across different organizational activities (Michelon & Parbonetti, 2012). By bridging communication gaps through such disclosures, firms can foster better relationships with stakeholders, which is essential for sustaining trust and credibility. HCR includes information about employee training, development programs, work environment, and how these align with company culture and values. By improving communication and transparency, these disclosures are pivotal in strengthening the firm's strategic and operational alignment with stakeholder expectations.

Existing studies have examined the positive impact of HCR on organizational performance. Qestha (2015), Soebyakto et al. (2015), Alshadat (2017), and Susanto et al. (2019) suggest that when corporate boards embrace comprehensive and transparent human capital reporting practices, they are more successful in tapping into the full potential of their workforce. Abeysekera (2008) also noted that businesses providing regular human capital information alleviate stakeholder concerns, easing the pressure on the organization to sustain its growth and capital accumulation. The Nigerian Code of Corporate Governance (NCCG) emphasizes that corporate boards must consist of members with diverse skills and competencies, ensuring a balance of gender and experience while maintaining high standards of competence, independence, and integrity. Previous studies have underscored the significance of corporate governance initiatives in influencing firms' disclosure behaviors. For instance, research by Miller and Triane (2009) highlighted that good governance practices directly impact the degree of human capital transparency. Raimo et al. (2020) demonstrated that board diversity significantly enhances the level of human capital reporting. Abeysekera (2010) further revealed that larger boards are more inclined to disclose substantial human capital information. Similarly, Tejedo-Romero and Araujo (2022) identified a significant relationship between board composition and the disclosure of human capital information. The body of literature highlights the crucial role that governance structures and board dynamics play in promoting transparency in human capital reporting. This leads to the first hypothesis:

2.2. Board Gender Diversity

Board gender diversity is typically defined as the proportion of female directors on a corporate board relative to male directors. There has been an increasing interest in the role that female representation on boards plays in improving board independence and governance effectiveness. Research suggests that female directors tend to bring a unique perspective to board deliberations, often posing questions or raising concerns that male directors might overlook (Rynan & Haslams, 2005). Particularly during periods of economic downturn, women are more frequently assigned leadership roles, often seen by shareholders as a signal that transformative change is imminent (Rynan & Haslams, 2005). Boards with greater gender diversity are also more engaged in addressing social issues, such as supporting charitable initiatives and fostering strong relationships with local communities, shareholders, and other stakeholders (Williams, 2003; Bernardi & Threadgill, 2010). The Nigerian Code of Corporate Governance (NCCG) encourages gender diversity on corporate boards, recognizing its importance in ensuring effective performance. Numerous studies have shown that female board members positively impact human capital reporting. Kılıç and Kuzey (2016) and Wu (2016) provided evidence that boards with more women are more likely to disclose human capital information voluntarily. Similarly, Tedejo-Romero et al. (2017) and Giuseppe et al. (2021) demonstrated that gender-diverse boards are more proactive in disclosing intellectual capital information, which encompasses human capital reporting.

However, some studies challenge this positive relationship. Dan and Arianti (2017) and Firmansa et al. (2018) found that an increased number of female board members could negatively impact intellectual capital disclosure. Bello and Micah (2021) examined the role of corporate governance in human resource disclosure among Nigerian financial firms and found no significant correlation between board gender diversity and human resource accounting disclosures. Furthermore, Rabiu et al. (2022) reported that only 27 percent of board members across Nigerian listed firms are female, highlighting a low level of gender diversity. This limited representation could mean that gender diversity does not significantly influence human capital reporting practices in Nigeria.

2.3. Audit Committee Gender Diversity

Audit committee gender diversity refers to the ratio of female members to male members on an organization's audit committee. An audit committee plays a pivotal role in overseeing the organization's financial reporting process, internal controls, and compliance with regulatory standards, ensuring the protection of shareholders' interests. According to corporate governance regulations, audit committees are responsible for monitoring firms' adherence to legal and ethical standards. Given this oversight function, it is essential to understand the influence of gender diversity within the audit committee on the effectiveness of human capital reporting.

Several studies have examined the role of gender diversity within audit committees. Oziegbe and Ofe (2020) found that audit committee gender diversity had a significant positive influence on intellectual capital disclosure, including human capital, among eight listed Nigerian banks between 2014 and 2017. Similarly, Alqatamin (2018) analyzed 165 non-financial firms in Jordan and concluded that gender-diverse audit committees improved firm performance, particularly in areas such as intellectual and human capital reporting. Aggarwal (2023) also observed a positive relationship between audit committee gender diversity and the human resource disclosure index in a study of 126 Indian companies from 2012 to 2018. These findings suggest that gender diversity within audit committees could enhance human capital reporting by promoting more comprehensive oversight of corporate governance. Based on these findings, the following hypothesis is proposed:

2.4. Foreign Directorship

Foreign directorship refers to the presence of non-local directors on a company's board. A diverse board that includes foreign directors often brings additional industry experience, global perspectives, and expertise, which may be beneficial in navigating complex governance issues. Foreign board members often provide valuable insights derived from their international experiences, enabling the firm to adapt to global trends and standards in areas like human capital reporting (Lee & Farh, 2004).

Foreigners are allowed to establish and own businesses in Nigeria, and they may serve as directors, provided they have the necessary Combined Expatriate Residence Permit and Aliens Card (CERPAC). However, the NCCG is largely silent on the specific role of foreign directors in Nigerian corporate boards. Despite this, foreign directorship can play a pivotal role in shaping board decisions related to human capital reporting. Foreign directors often bring with them practices from their home countries, which may have stricter or more advanced stakeholder rights and disclosure standards, particularly regarding human capital (Hooghiemstra et al., 2015). Previous studies support the notion that foreign directorship enhances governance practices, leading to better disclosures. Bokpin and Isshaq (2009) found that the presence of foreign directors on African boards improved governance standards and transparency. Similarly, Hooghiemstra et al. (2015) argued that foreign board diversity promotes human capital reporting, especially when directors are from countries with strong stakeholder protections. However, some researchers have found negative associations between foreign directorship and human capital reporting. Isa et al. (2022) reported that only 27.16 percent of Nigerian board members are foreign, indicating a relatively low level of foreign directorship. Some studies also found that foreign board members can sometimes lead to lower human capital reporting, possibly due to a lack of contextual understanding of local practices. Thus, this hypothesize the following:

2.5. Board Education

Board educational diversity refers to the range of educational qualifications and backgrounds represented on a corporate board. A well-educated board, with members from diverse fields, is likely to exhibit better problem-solving abilities and strategic decision-making skills, as education enhances directors' capacity to absorb new ideas, innovations, and concepts (Carmen et al., 2005). The educational background of board members reflects their knowledge, cognitive capabilities, and overall skill set, all of which are critical in shaping the company's governance, particularly in human capital reporting (Hambrick & Mason, 1984).

The NCCG requires boards to maintain a balanced mix of educational qualifications to ensure the effective governance of the firm. Education equips directors with broader perspectives, enhancing their ability to understand the interests of various stakeholders, including employees, and thus promoting better human capital reporting (Welford, 2007). Research has shown that boards with members possessing backgrounds in accounting, finance, or business management tend to have a more significant positive impact on firm transparency and human capital reporting (Wallace & Cooke, 1990). In Nigeria, Isa et al. (2022) observed that many corporate board members have qualifications primarily in finance and business. This might explain why board educational diversity positively influences corporate governance standards. Based on this, this study proposes the following hypothesis:

The literature on human capital reporting highlights the critical role that corporate boards play in improving transparency and governance practices. Board gender diversity, audit committee gender diversity, foreign directorship, and board educational diversity all have potential implications for human capital reporting. However, the findings from various studies indicate that the relationship between these governance factors and human capital reporting remains inconclusive, particularly within the Nigerian context. Therefore, further empirical research is necessary to examine these dynamics more comprehensively, with a specific focus on the unique characteristics of Nigerian firms.

3. Theoretical Framework

The Resource Dependence Theory (RDT) serves as an appropriate theoretical framework for examining the influence of board diversity on Human Capital Reporting (HCR) in this study. RDT posits that organizations rely on external resources to achieve their goals, and the composition of the board of directors plays a crucial role in accessing these resources. The positive relationship between Board Gender Diversity (BDG) and HCR aligns with RDT, suggesting that gender-diverse boards are better equipped to navigate complex reporting requirements by enhancing critical thinking and decision-making processes, ultimately leading to improved transparency in human capital disclosures. Additionally, the significant positive impact of Audit Committee Gender Diversity (ACG) on HCR reinforces RDT's assertion that diverse boards can address challenges and uncertainties effectively, thus contributing to more comprehensive and accurate human capital reports. Furthermore, the positive correlation between Board Educational Diversity (BDE) and HCR supports the notion that boards with varied educational backgrounds can provide valuable insights into human capital strategies, enhancing organizational performance and reputation. Conversely, the negative association between Board Nationality Diversity (BDN) and HCR suggests that while diversity is generally beneficial, it may also introduce complexities in communication and cohesion, indicating that organizations must manage dependencies and risks associated with resource acquisition. Ultimately, the findings indicate that diverse governance structures enhance accountability and stakeholder engagement in human capital reporting, reflecting RDT's emphasis on the importance of a well-composed board in addressing stakeholder concerns and fostering trust and relationship-building. This theoretical framework highlights the necessity of adopting diverse board compositions to achieve effective human capital reporting and improve overall organizational outcomes.

3.1. Empirical Review

One study by Terjesen et al. (2020) provides a comprehensive review of the literature on gender diversity in corporate boards, emphasizing how female representation can enhance transparency and improve firm governance, particularly in relation to disclosures about human capital. The authors argue that diverse boards are more likely to consider a broader range of perspectives and stakeholder interests, resulting in enhanced reporting practices that address human capital issues effectively. Another study by Setyawan et al. (2021) investigates the relationship between board gender diversity and corporate social responsibility disclosures, including aspects related to human capital. The findings indicate a significant positive relationship, suggesting that organizations with more women on their boards are inclined to engage more actively in transparent reporting about their workforce and human capital initiatives. This aligns with the notion that diversity in leadership encourages more responsible and inclusive corporate behavior. Research conducted by Akinyemi et al. (2021) in Nigeria examines the impact of gender diversity on board effectiveness and governance. The study reveals a positive correlation between diverse boards and the quality of corporate disclosures, particularly in the area of human capital reporting. This suggests that diverse perspectives contribute to improved decision-making and accountability, thereby enhancing the overall governance framework within organizations. Additionally, a study by Wang et al. (2021) highlights how audit committee gender diversity contributes to improved financial reporting quality, which includes enhanced human capital disclosures. The authors argue that the presence of women in audit committees fosters a culture of transparency and ethical behavior, leading to more rigorous scrutiny of human capital reporting practices. A study by Adebayo et al. (2022) investigates the effects of various board characteristics, including gender and educational diversity, on corporate governance and financial reporting practices. The research findings indicate that these characteristics positively influence transparency in disclosures related to human capital, further emphasizing the need for diverse boards to improve stakeholder communication and accountability. Another research conducted by Akpan et al. (2023) discusses how board diversity, particularly gender and educational background, enhances corporate performance through better decision-making and transparency in reporting human capital investments. The authors highlight that diverse boards are more likely to prioritize investments in human capital and communicate these efforts effectively to stakeholders.

Lastly, an empirical analysis by Agbim et al. (2023) focuses on the role of foreign directors in enhancing human capital disclosures. The study indicates that directors with diverse backgrounds contribute positively to transparency and accountability in reporting practices, reinforcing the idea that diversity in the boardroom leads to better outcomes in terms of human capital disclosure.

These studies provide substantial empirical evidence supporting the significance of board diversity in enhancing human capital reporting. They reinforce the theoretical framework of your research, emphasizing the need for diverse governance structures to improve transparency and accountability in organizational reporting practices. By aligning with the objectives of your study, these findings highlight the essential role that board gender composition, audit committee gender composition, foreign directorship, and board members' educational qualifications play in promoting effective human capital reporting.

3.2. Research Method

The study's population comprises fifty-nine listed firms, stratified into sectoral clusters, and, after applying five filters, 440 firm financial years were initially selected. However, fifteen firms were excluded due to delisting during the study period or not being quoted as of January 1, 2013, resulting in a final sample size of 425 firm financial years. Descriptive statistics, correlation, and regression analyses were employed to assess the relationship between corporate board diversity and human capital reporting (HCR). To quantify the extent of HCR, unit count content analysis, following the method of Abeysekera (2010), was used. This approach systematically measures the number of disclosed human capital items in firm reports. Human capital reporting, as the dependent variable, was calculated as the proportion of items reported to the total expected reports, with a score of 1 assigned for reported items and 0 for non-reported items. The explanatory variables, representing corporate board diversity, were measured through board gender diversity, educational diversity, and nationality diversity. Board gender diversity was quantified by calculating the proportion of female directors on a company's board, while educational diversity was measured based on the range of educational qualifications among board members. Nationality diversity reflected the proportion of foreign directors, with the belief that diverse educational and international backgrounds enhance corporate governance and potentially lead to better human capital reporting. These diversity measures, along with regression analysis, aimed to determine how the composition of a firm's board influences its transparency and reporting practices.

Table 1. Variables of the Study and Their Measurement

Variables	Acronym	Measurement	Source	Type
Human Capital Reporting	HCR	Total scored items by the firms divided by total maximum scores	Li et al. (2008), Yi et al. (2010), Alshhadat (2017), Al-Sartawi (2018), Al-Hajaya (2019)	Dependent
1. Employees Turnover Rate	HCR-1	Percentage of employees who leave the organization annually		Dependent
2. Workforce Diversity Metrics	HCR-2	Representation of diverse groups within the workforce		Dependent
3. Training and Development Expenditure	HCR-3	Total expenditure on employee training and development		Dependent
4. Employee Satisfaction and Engagement Scores	HCR-4	Average scores from employee satisfaction surveys		Dependent
5. Environmental	HCR-5	Total spending on environmental initiatives		Dependent

Expenditure		related to human capital		
6. Performance Appraisal System	HCR-6	Evaluation of the effectiveness and implementation of performance appraisal processes		Dependent
Board Gender Diversity	BDG	Gender diversity is defined using Blau Index *BLAU* Index=1–$\sum_{i=1}^{n} P_i^2$ where Pi is the percentage of members in each gender and n is the total number of genders.	Nadeem (2019)	Independent
Board Nationality	BDN	Ratio of foreign directors on the board to the total number of board members	Darmadi (2011), Talavera et al. (2018)	Independent
Board Educational	BDE	Percentage of board members with backgrounds in social and management sciences divided by the total number of board members.	Rasmini et al. (2014), Ali & Oudat (2021)	Independent
Audit Committee Gender	ACG	Percentage of female audit committee members to all audit committee members	Isa and Farouk (2018), Oziegbe et al. (2020)	Independent
Board Size	BDS	Total number of executives and non-executives on the board	Abeysekera (2010), Hatane et al. (2017)	Independent
Firm Size	FMS	Natural logarithm of total assets	Ferreira et al. (2012), Alshhadat (2017)	Independent
Auditor Type	ATP	Dummy variable: 1 if the audit was conducted by one of the Big Four auditors or their affiliates, otherwise 0.	Ferreira et al. (2012), Gan et al. (2013), Firmasa et al. (2018)	Independent

Source: Authors' Compilation 2024

3.3. Model Specification

In this study, descriptive statistics were employed to condense the data into a more manageable format and examine the influence of corporate board diversity on the human capital reporting (HCR) practices of the selected firms. Specifically, hypotheses H1, H2, H3, and H4 were tested using multiple regression analysis through an empirical model designed to investigate the relationship between board diversity and HCR. This model is grounded in agency and stakeholder theories, emphasizing the importance of diverse perspectives in enhancing decision-making and stakeholder accountability. It incorporates independent variables such as gender diversity (BDG), nationality diversity (BDN), educational diversity (BDE), audit committee gender diversity (ACG), board size (BDS), firm size (FMS), and auditor type (ATP), aligning with existing literature that identifies these factors as significant influences on HCR. Moreover, the inclusion of control variables like firm size and auditor type aids in isolating the specific effects of board diversity on HCR, allowing for a more nuanced examination of these relationships. The results generated from multiple regression analysis enhance the empirical foundation of the model, providing valuable insights for practitioners and policymakers alike. These findings inform governance practices aimed at fostering transparency and accountability, ultimately contributing to improved human capital management and stakeholder engagement. Overall, this robust model is designed to accommodate variations across firms and offers critical insights into the dynamics of corporate governance and human resource management, highlighting the potential for enhanced organizational performance through effective board diversity.

$$HCD_{it}=\beta_0+\beta_1 BDG_{it}+\beta_2 BDN_{it}+\beta_3 BDE_{it}+\beta_4 ACG_{it}+\beta_5 BDS_{it}+\beta_6 FMS_{it}+\beta_7 ATP_{it}+\varepsilon_{it}$$

HCD_{it} = Human Capital Disclosure

BDG_{it} = Gender Diversity

BDN_{it} = Nationality Diversity

BDE_{it} = Educational Diversity

ACG_{it} = Audit committee Gender Diversity

BDS_{it} = Board Size

FMS_{it} = Firm size

ATP_{it} = Auditor Type

ε_{it} = the stochastic disturbance/Error term

β_0 = Constant, β_1= Constant

Where the subscripts it represents the measure for firm i at time t.

4. Data Analysis and Discussion of Findings

4.1. Summary Statistics

The summary statistics of board diversity and HCR are presented in Table 2.

Table 2. Descriptive statistics

Var.	Observation	Mean	Std. Dev.	Minimum.	Maximum
HCR	440	0.317	0.112	0	0.55
BDG	440	0.439	0.115	0	0.60
BDN	440	0.260	0.202	0	0.67
BDE	440	0.624	0.103	0.2	0.88
ACG	440	0.190	0.159	0	0.67
BDS	440	8.797	2.468	4	17
FMS	440	7.019	0.878	4.6999	9.2611
ATP	440	0.600	0.490	0	1

Source: Authors' computation 2024

Table 2 presents the descriptive statistics for the variables used in this study, providing valuable insights into the data distribution across the sample of 440 observations. The Human Capital Reporting (HCR) variable, which reflects the extent of human capital disclosure by the firms, has a mean value of 0.317 with a standard deviation of 0.112. This indicates a moderate level of reporting among the firms, with values ranging from 0 to 0.55. The distribution shows that while some firms disclose substantial human capital information, a significant number exhibit minimal reporting practices. In terms of Board Gender Diversity (BDG), the average score of 0.439 suggests that nearly 44% of board members are female, with a standard deviation of 0.115, highlighting a relatively diverse board composition. The Board Nationality Diversity (BDN) has a mean of 0.260, indicating that approximately 26% of the board members come from foreign nationalities, although the variation (standard deviation of 0.202) shows some firms have more diverse boards than others. The Board Educational Diversity (BDE) averages at 0.624, suggesting a significant presence of members with social and management science backgrounds, reflecting a broad range of expertise within the boards.

The statistics for the Audit Committee Gender Diversity (ACG) show a mean value of 0.190, indicating that about 19% of audit committee members are female, with a notable variation (standard deviation of 0.159). This lower percentage may point to potential areas for improvement in gender representation within audit committees. The Board Size (BDS) variable has an average of 8.797 members, ranging from a minimum of 4 to a maximum of 17, which suggests that the firms generally maintain a medium-sized board structure conducive to effective governance. Regarding Firm Size (FMS), the average value of 7.019, based on the natural logarithm of total assets, reflects a diverse range of firm sizes within the sample, with total assets varying significantly from 4.6999 to 9.2611. Lastly, the Auditor Type (ATP) shows that 60% of the firms are audited by one of the Big Four audit firms, highlighting a reliance on well-established auditors for financial reporting integrity. Overall, these descriptive statistics provide a comprehensive overview of the characteristics of the firms in the study, laying the groundwork for further analysis of the relationships between corporate governance factors and human capital reporting practices 4.2.

4.2. Correlation Analysis

The correlation result of the relationship between board diversity and HC is presented in table 3.

Table 3. Correlation Matrix

Var.	HCR	BDG	BDN	BDE	ACG	BDS	FMS	ATP	VIF
HCR	1.00								
BDG	0.22	1.00							1.28
BDN	0.13	-0.03	1.00						1.35
BDE	0.11	0.34	0.13	1.00					1.23
ACG	0.25	0.17	-0.01	-0.10	1.00				1.25
BDS	0.18	0.04	0.12	0.17	-0.21	1.00			1.64
FMS	0.33	-0.02	0.43	0.13	0.08	0.52	1.00		1.92
ATP	0.21	0.21	0.35	0.14	0.19	0,34	0.48	1.00	1.55

Source: Authors' computation 2024

The correlation analysis presented in Table 3 highlights the relationships between human capital reporting (HCR) and various dimensions of board diversity, alongside other control variables. The correlation coefficient values reveal the strength and direction of these relationships, providing insights into how corporate governance factors may influence human capital reporting practices within the selected firms.

Starting with HCR, a positive correlation of 0.22 with Board Gender Diversity (BDG) indicates a moderate association, suggesting that firms with a higher representation of women on their boards tend to have more robust human capital reporting practices. Similarly, HCR exhibits a correlation of 0.13 with Board Nationality Diversity (BDN) and 0.11 with Board Educational Diversity (BDE), though these relationships are weaker compared to BDG. This indicates that while nationality and educational diversity may also contribute to enhance reporting, their effects are not as pronounced. Furthermore, HCR has a stronger correlation of 0.25 with Audit Committee Gender Diversity (ACG), suggesting that firms with a higher percentage of female members on their audit committees are more likely to disclose comprehensive human capital information. The relationship between HCR and

Board Size (BDS) shows a positive correlation of 0.18, implying that larger boards may be associated with improved human capital reporting, possibly due to diverse viewpoints contributing to decision-making processes. The Firm Size (FMS) demonstrates a more substantial positive correlation of 0.33 with HCR, indicating that larger firms tend to have more extensive human capital disclosures. This finding may reflect the resources available to larger firms to implement comprehensive reporting practices. Finally, HCR correlates positively with Auditor Type (ATP) at 0.21, suggesting that firms audited by the Big Four auditors may also be more inclined to disclose human capital information.

The Variance Inflation Factor (VIF) values in the last column indicate the potential for multicollinearity among the independent variables. VIF values below 10 (with most being below 2) suggest that multicollinearity is not a significant concern, allowing for more reliable regression analysis outcomes. Overall, the correlation matrix provides valuable preliminary insights into the dynamics between corporate governance variables and human capital reporting, setting the stage for further exploration through regression analysis.

4.3. Regression Results

Table 4. Summary of Robust Ordinary Least Square Regression

Variables	Coefficients	Robust Std Error	t-stat.	Prob.
Cons	0.028	0.079	0.36	0.717
BDG	0.179	0.056	3.19	0.002
BDN	-0.051	0.308	1.67	0.096
BDE	0.389	0.057	6.89	0.000
ACG	0.107	0.030	3.52	0.000
BDS	0.001	0.003	0.45	0.651
FMS	-0.029	0.009	3.06	0.002
ATP	0.054	0.012	4,51	0.000
R-square = 0.2056				
F-statistics = 18.76				
Prob. = 0.0000				

Source: Authors' computation 2024

The regression analysis summarized in Table 4 reveals the impact of various independent variables on human capital reporting (HCR). The constant term (Cons) has a coefficient of 0.028, with a robust standard error of 0.079, leading to a t-statistic of 0.36 and a probability value of 0.717. This indicates that the constant term is not statistically significant at conventional levels, suggesting that other factors are more influential in determining HCR. Among the independent variables, Board Gender Diversity (BDG) shows a positive coefficient of 0.179, with a robust standard error of 0.056, resulting in a t-statistic of 3.19 and a highly significant p-value of 0.002. This finding implies that an increase in the representation of women on boards is associated with improved human capital reporting practices, supporting the premise that gender diversity contributes positively to corporate governance and transparency.

Additionally, Board Educational Diversity (BDE) exhibits a strong positive relationship with HCR, evidenced by a coefficient of 0.389 and a t-statistic of 6.89 (p-value 0.000). This highlights the importance of educational backgrounds in enhancing human capital disclosures. Audit Committee

Gender Diversity (ACG) also shows a positive influence with a coefficient of 0.107 and a t-statistic of 3.52 (p-value 0.000), further emphasizing the significance of gender representation within key oversight bodies. However, Board Nationality Diversity (BDN) has a negative coefficient of -0.051 with a p-value of 0.096, suggesting a marginally significant relationship that requires further investigation. Interestingly, Board Size (BDS) shows a coefficient of 0.001 (p-value 0.651), indicating that board size does not significantly impact HCR. Furthermore, Firm Size (FMS) presents a negative coefficient of -0.029 (p-value 0.002), suggesting that larger firms may not necessarily disclose more human capital information, possibly due to complexities in reporting or governance structures. Lastly, Auditor Type (ATP) shows a significant positive effect (coefficient 0.054, t-statistic 4.51, p-value 0.000), indicating that firms audited by the Big Four are more likely to disclose comprehensive human capital information.

The model's overall explanatory power is indicated by an R-squared value of 0.2056, suggesting that approximately 20.56% of the variation in HCR can be explained by the included independent variables. The F-statistic of 18.76 with a p-value of 0.0000 indicates that the model is statistically significant, confirming that at least one of the independent variables has a meaningful relationship with HCR. This robustness in findings underscores the relevance of board diversity and governance structures in promoting transparency in human capital reporting, reinforcing the need for companies to consider diverse perspectives as part of their governance practices to enhance accountability and stakeholder engagement

5. Discussion of Findings

The findings of this study present significant insights into the relationship between board diversity and Human Capital Reporting (HCR). The regression analysis indicates that Board Gender Diversity (BDG), Board Educational Diversity (BDE), and Audit Committee Gender Diversity (ACG) have a positive influence on HCR. In contrast, Board Nationality Diversity (BDN) shows a marginally negative association, while Firm Size (FMS) also exhibits a negative relationship. This section discusses these results in light of previous literature, comparing them to existing studies and theoretical frameworks, and addressing the objectives of the research.

The positive coefficient of 0.179 for Board Gender Diversity (BDG) aligns with the findings of Adams and Ferreira (2009), who demonstrated that gender-diverse boards contribute to better decision-making and enhanced transparency in reporting, supported further by Nadeem et al. (2021), who found a significant relationship between gender diversity and corporate social responsibility disclosures. Similarly, the strong positive relationship (coefficient of 0.389) for Board Educational Diversity (BDE) corroborates the research of Singh and Vinnicombe (2004) and Marinova et al. (2016), emphasizing that educational diversity enriches board discussions and improves complex decision-making, particularly regarding human capital management. Audit Committee Gender Diversity (ACG) also shows a positive coefficient of 0.107, consistent with the findings of Cohen et al. (2018) and Krishnan and Visvanathan (2007), who argue that gender diversity within audit committees enhances financial and non-financial disclosures, including human capital reporting.

Conversely, the negative coefficient of -0.051 for Board Nationality Diversity (BDN) contrasts with Carter et al. (2010), suggesting that while nationality diversity can offer varied perspectives, it may not necessarily improve human capital disclosures, possibly due to communication challenges or differing priorities among board members. Finally, the negative coefficient of -0.029 for Firm Size (FMS) aligns with Morrison (2020), who found that larger firms may face bureaucratic complexities that reduce transparency in their human capital reporting. The results align well with the Resource Dependence Theory, which posits that diversity on boards enhances access to critical resources and information, thereby improving decision-making and transparency in disclosures. The positive relationship between BDG and HCR supports the idea that gender diversity brings different viewpoints that enrich discussions about human capital, leading to more comprehensive reporting. Similarly, BDE’s significant impact reinforces the theory’s premise that varied educational backgrounds contribute valuable insights essential for effective governance and reporting.

Influence of Board Gender Composition on HCR: The study’s finding that BDG positively affects HCR directly addresses the objective of examining this influence. It indicates that increasing female representation on boards can lead to enhanced human capital disclosures, suggesting a strategic focus on gender diversity in governance policies.

Impact of Audit Committee Gender Composition on HCR: The positive association between ACG and HCR fulfills the objective of assessing this impact. Organizations may benefit from increasing female representation in audit committees to strengthen their reporting practices.

Effect of Foreign Directorship on HCR: While the study did not find a significant positive impact of foreign directorship on HCR, the marginally negative relationship of BDN invites further research into the complexities introduced by nationality diversity. This highlights the need for organizations to be strategic about the composition of their boards, particularly regarding international representation.

Influence of Board Members’ Educational Qualifications on HCR: The significant positive effect of BDE on HCR addresses the objective of analyzing educational qualifications. Companies should consider enhancing the educational diversity of their boards to improve human capital reporting.

The findings highlight the critical role that board diversity and governance structures play in enhancing human capital reporting. The positive correlations found in BDG, BDE, and ACG suggest that companies with diverse boards are better positioned to address stakeholder concerns regarding human capital disclosures. These findings provide empirical evidence supporting policies aimed at increasing gender and educational diversity on boards and audit committees, which can lead to improved transparency and accountability.

6. Conclusion and Recommendations

6.1. Conclusion

This study investigated the influence of board diversity on Human Capital Reporting (HCR) in selected organizations, revealing critical insights into how different dimensions of board composition affect reporting practices. The findings indicated a significant positive relationship between Board Gender Diversity (BDG), Board Educational Diversity (BDE), and Audit Committee Gender Diversity (ACG) with HCR. In contrast, Board Nationality Diversity (BDN) showed a marginally negative impact, while Firm Size (FMS) was negatively associated with HCR. These results underscore the importance of board diversity in enhancing the transparency and quality of human capital disclosures. The positive influences of BDG, BDE, and ACG suggest that diverse boards are better equipped to address complex reporting challenges, contributing to greater accountability and stakeholder engagement. This aligns with the Resource Dependence Theory, which posits that diverse perspectives enrich decision-making processes and improve organizational performance. The findings from this study provide valuable insights into how various dimensions of board diversity influence human capital reporting practices in selected organizations. By confirming the positive impacts of gender and educational diversity, alongside the critical role of audit committee composition, this research contributes to the existing literature and offers practical implications for governance practices. Organizations are encouraged to adopt strategies that promote diversity on boards and audit committees to enhance accountability, transparency, ultimately and stakeholder trust.

6.2. Recommendations

By adopting these recommendations, organizations can leverage the advantages of diverse boards and committees to improve their human capital reporting, thereby fostering accountability and strengthening stakeholder relationships. The findings from this study contribute to the growing body of literature advocating for diversity in corporate governance, emphasizing its role in enhancing organizational transparency and performance.

1. **Promote Gender Diversity on Boards**: Organizations should actively pursue initiatives to enhance gender diversity on their boards. This can include implementing policies that encourage the recruitment and retention of female board members, fostering an inclusive culture that values diverse perspectives. Companies should also consider setting specific targets or quotas for gender representation.

2. **Enhance Educational Diversity**: Companies should prioritize educational diversity in their board composition. This can be achieved by seeking candidates with varied educational backgrounds and professional experiences. Organizations could also provide training and development programs to prepare diverse candidates for board roles, thereby enhancing their governance capabilities.

3. **Strengthen Audit Committee Diversity**: The significant relationship between ACG and HCR indicates the need for increased gender representation in audit committees. Organizations should ensure that audit committees are composed of individuals with diverse backgrounds, promoting greater oversight and accountability in financial and human capital disclosures.

4. **Evaluate the Role of Nationality Diversity**: Given the negative relationship between BDN and HCR, organizations should critically assess the impact of nationality diversity on their governance practices. While international perspectives can enrich discussions, companies may need to focus on fostering effective communication and shared objectives among board members from different nationalities.

5. **Address Challenges Associated with Firm Size**: For larger organizations, which may struggle with comprehensive HCR due to bureaucratic complexities, it is essential to streamline reporting processes. Companies can invest in systems and frameworks that facilitate better integration and communication of human capital information across departments.

6. **Implement Regular Training and Awareness Programs**: Organizations should conduct regular training programs for board members and senior management on the importance of human capital reporting and the benefits of diverse governance structures. Awareness initiatives can enhance understanding of the strategic value of transparency in human capital disclosures.

7. **Encourage Stakeholder Engagement**: Companies should engage stakeholders in discussions about their human capital reporting practices. By soliciting feedback from employees, investors, and

other stakeholders, organizations can better align their reporting with stakeholder expectations, enhancing transparency and trust.

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