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The Impact of Human Capital on a Company's Value: A Cross-Cultural Study

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Abstract: Human resource culture is the only attempt to determine the cost and value of the company's HR in terms of expenditures incurred through employment, social welfare culture, communication, training, development, and compensation. This study aims to look into the impact of human capital on a company's value. Using a purposive sampling method, both market capitalization and total assets were used to determine the value of the company; 40 companies from the Iraq Stock Exchange were chosen for research in 2018. We used a multiple regression model. Employee compensation has no significant impact on market capitalization, according to the findings of this study, whereas employee care and training expenses and profits have a positive and significant impact on market capitalization. Employee compensation has a significant and negative effect on total assets, according to the study, whereas employee care and training expenses and posttax profits have a moral and positive effect on total assets.

Keywords: Human Resource Culture, Market Capitalization, Organizational Culture, Human Capital.

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1. Introduction

Human capital is considered an important source of sustainable competitive advantage in a knowledge-based economy. Through the proficiency of people and the workforce in the company, the disclosure of human capital information will likely give different benefits to organizations and institutions (Boujelbene and Habib, 2013). However, due to the domination of corporate accounting systems which determine information about human capital, it requires designing an effective framework for measuring and disclosing human capital in general corporate reports for companies. The time and money needed for human resources to gain experience make intellectual human power critical resources in any economy. This is the reason big companies start to purchase small and technologically advanced companies, that is, not for their financial resources but for their human resources. The distinction between successful and less successful companies is the quality of the human resources that can recruit, maintain, and retain staff.

An assessment of the nature, extent, and determinants of disclosure of consequences for human capital may provide a useful framework for assessing the current situation and designing a framework for the future. However, a study has been conducted by Jindal and Kumar (2012), which is aimed at disclosing human capital in the general reports of Indian companies. The study shows that the available framework which consisted of an "*invisible balance sheet*" to account for the knowledge-based assets. Understanding the disclosure of human capital is insufficient. However, through the introduction of this study, the research problem was formulated with the following questions:

i. What are the contents of the disclosure of human capital in companies?
ii. What are the main factors in the disclosure of human capital by companies?
iii. What is the effect of disclosure of human capital on the market value of companies?

The importance of this research is manifested in terms of the recognition of human resources as a key factor in enhancing productivity and a source of sustainable competitive advantage and human capital as a source for building the company's assets that will lead to higher financial performance for the company, and the impact of these human resources and human capital on the company's financial performance and value, where there is a need to conduct a study on the impact of human capital investment on the company's performance. Moreover, this research aims to study the impact of investment and human resources disclosure on the value of the company. Therefore, it is crucial to study the effect of human capital accounting on companies, whereas the incurred expenses on human resources will be analyzed based on the value of the company and then the need to deal with these kinds of expenses as

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investments in human resources are not like regular expenses required by the company's tasks. The difference between the firm's market value and its book value is to warn about the lost value of data in an economy based on current knowledge. By creating a suitable index to gauge the level of human capital disclosures in the annual reports of the Iraqi listed companies, the study contributes to the body of existing literature. In addition, this is the first study to look into the scope and factors influencing the human capital disclosures of listed companies in Iraq.

2. Literature Review And Hypotheses Development

2.1 Literature Review

The previous studies related to human capital disclosure practices were limited to many specific industries, such as software and services companies (Murthy and Abeysekera, 2007; Cerbioni and Parbonetti, 2007), that is, there is a lack of studies that are concerned with capital disclosure practices in companies that apply their functions in other sectors.

Marr. (2003) demonstrated the growing gap between book value and market value as another indication of the increasing importance of knowledge-based intangible assets. For companies such as Microsoft or Coca-Cola, the value of their tangible assets is only a fraction of the total market value of their business. Cerbioni and Parbonetti (2007) examined the relationship between governance variables and voluntary disclosure of intellectual capital in a sample of European biotechnology companies by looking at simultaneous governance mechanisms such as the proportion of independent managers, board dimensions, and CEO duplication. They extend the previous research by simulants considering governance mechanisms as the proportion of independent directors, board dimension, CEO duality, and board structure in relation to voluntary disclosure of intellectual capital. Regarding the quality of disclosure, the results showed that the proportion of independent managers is positively related to disclosure of the internal structure; additionally, the CEO's duplication is negatively related to the disclosure of forward-looking information, and finally, the structure of the Board of Directors helps to improve the overall reading of the annual report. It contributes to agency theory by indicating that corporate governance and voluntary disclosure mechanisms can be used strategically to reduce agency conflicts. The results of this study may be of interest to regulators, investment analysts, and market participants. The study of Dumay and Tull (2007) aimed to test an alternative method by which companies can disclose their intellectual capital to external stakeholders who have an influence on the stock price.

The components of intellectual capital were used to identify advertisements of price-sensitive companies on the Australian Stock Exchange (ASE) and to examine any relationship between them (Vergauwen, Bollen, and Oirbans, 2007). According to the paper, which was based on the experimental "*event studies*" methodology for the financial year 2004-2005 and the relative importance of intangible assets as a driver of business value by analyzing the annual reports from Swedish, British and Danish companies to determine how far the international classification of intellectual capital in companies has advanced.

Abeysekera (2008) examined the differences in the practice of disclosing international cooperation between developing and developed countries to verify trends in intellectual capital disclosure (IC) and differences in the disclosure category of the top 20 listed companies in a developing country, Sri Lanka, and moderately developed country, Singapore. In 2010, the impact of the size of the Board of Directors on companies that disclose more strategic and tactical intellectual capital resources on the 26 best companies out of 52 companies ranked by the Nairobi Stock Exchange for market capitalization in 2002 and 2003 was tested. This study identified the disclosure of intellectual capital into three separate categories: Internal capital, external capital, and human capital. Consequently, this study examined the effect of council size on six outcome/disclosure outcomes. The study made hypotheses using resource dependency theory. Using content analysis to generate data, the study categorized the firms that disclose more versus those that disclose the lowest, using the mean of all companies for each detection result using logistic regression. The results indicated that companies that disclose more tactical internal capital and more strategic human capital have larger boards. The results of this study provide insights into how the size of the board of directors of the eldest can help councils overcome skill deficiencies in making more discretionary disclosures related to future earnings.

Husin et al. (2011) examined the determinants of the decision to disclose intellectual capital in annual reports. This paper drew on theoretical predictions from previous studies and based on archive data for a sample of 125 Australian companies listed overall. The content of the annual reports was analyzed, and they completed the data with quantitative data from the sample companies. Results: The results show that industry plays a major role as a determinant of IP disclosure in annual reports. In addition, the size of the company can be another determinant of intellectual capital disclosure for companies. In contrast to the previous studies and theoretical predictions of optional disclosure, the paper did not find any relationship between the level of information discrepancy and intellectual capital disclosure, and the paper of Orens et al. (2009) experimentally tested the effect of intellectual capital reports on the internet (IC) on the value of the company and the cost of financing and by conducting an analysis of the content of corporate websites in four continental European countries (Belgium, France, Germany, and the Netherlands) about the presence of IC information that uses synchronous regression modeling to control homogeneity within the company's disclosure strategy. Using the Content Analysis Tool,

Campbell and Abdul (2010) studied the intellectual capital content of Marks & Spencer's annual reports for 31 years, from 1978 to 2008. Motivated by the gap between previous studies regarding longitudinal samples, the paper also identified a note of the ways in which the annual report changed over the three decades in response to the supposed change that fixed assets and processes were the keys to driving value creation by believing that knowledge of intellectual origin became a stronger interpretation of added value. The paper found a total increase in the preparation of intellectual capital reports over 31 years but noted a particular increase in the preparation of relevant capital reports and the rearrangement of subcategories overtime; narrative reports increased (as opposed to quantitative), and "*realistic*" reports decreased (in contrast to opinion and judgment). The paper concludes that the annual report narrative reflects a broader change in the information market between investors and other stakeholders. While the exact nature of this market changes outside the scope of this paper, it was concluded that changing ICR patterns reflect the increasing sophistication of messages conveyed in optional reports. It is argued that the increased reliance on international cooperation to create value creates a need for narratives that are less realistically certain and more ambiguous in describing the origins of increasingly complex knowledge.

The paper by Husin et al. (2011) paper tested the extent of human capital (HC) reporting among the best Malaysian companies and provided HC reporting guidelines that can be used by Malaysian and regulated companies that start by developing an HC framework based on the previous intellectual capital (1C) framework. Then, in 2008, I used this framework to examine each of the 100 largest Malaysian companies listed on the Malaysia Stock Exchange through the method of content analysis. I reviewed the annual reports of these companies to determine the extent of reporting on HC. The results of this paper highlight the need to develop an IC framework, especially for HC. HC differences were also identified between Malaysia and other countries such as Sri Lanka and Australia, and these differences can be attributed to social, economic, and political factors.

A paper by Jing et al. (2012) examined the relationship between the characteristics of the audit committee and the detection of intellectual capital IC using data from 100 companies listed in the United Kingdom and found that comprehensive disclosure of IC was positively linked to the characteristics of the audit committee such as size and frequency of meetings and is negatively related to the contribution of audit committee managers. It did not find any statistically significant relationship between the IC disclosure and the independence of the audit committee and financial expertise. It is also noted that the correlation between the characteristics of the IC audit and disclosure committee varies with the different components of IC (i.e., human capital, structural capital, and correlative capital), indicating that the underlying factors driving the different components of IC detection differ. These findings have important implications for policy-makers in that they confirm that the effectiveness of audit committees in institutional reporting processes is a function with specific characteristics.

The paper of Jindal and Kumar (2012) aimed to verify the extent and determinants of HC detection levels for listed companies in India with a two-stage analysis. According to the generally accepted accounting principles in most countries, including India, disclosure of human capital by companies is optional. Therefore, a significant difference was found between Indian companies regarding HC detection. This paper aims to investigate the extent and determinants of HC detection levels for companies listed in India in a two-stage analysis.

Boujelbene Mohamed Ali and Affes Habib (2013) experimental paper examined the impact of intellectual capital disclosure (IC) on the cost of capital. The research relied on the companies listed in the French stock market index 120. The results confirm our hypotheses, which state that there is a large and negative correlation between the disclosure of intellectual capital with its elements (human capital and structural) and the cost of property rights. However, the negative impact of the disclosure of associative capital has not been investigated. The results presented in this paper are of great importance to both policy-makers and companies. In fact, understanding the impact of disclosing intellectual capital on the cost of capital helps policy-makers evaluate the costs and benefits of disclosure. Moreover, in relation to corporate managers, the results show the benefit of enhanced disclosure of IC in relation to reducing the cost of capital. This study is one of the first studies that provided empirical evidence for the relationship between the cost of equity capital and the level of disclosure in the three individual intellectual capital categories (human capital, structural, and relational).

The paper of Abhayawansa and Azim (2014) attempted to provide an understanding of intellectual capital reporting (IC) reporting practices for the pharmaceutical industry in Bangladesh and examined the extent and qualitative characteristics of IC data provided by listed drug companies in Bangladesh. Data were collected by analyzing the content of the annual reports for the year 2006 for 16 drug companies listed on the Dhaka Stock Exchange through the subject of IC, i.e., categories and subcategories and three semantic features for IC detection: First, coordination (i.e., rhetoric, numerical but non-critical, numerical – monetary, and visual); second, the news period (i.e., positive, neutral, and negative); and three, temporal orientation (i.e., forward-looking, time-bound, and past-oriented).

The results indicated that there is a clear awareness among pharmaceutical companies in Bangladesh of the importance of IC in creating corporate value and commitment to public communication with the IC, and some evidence has been found of the need to manage stakeholder relations, the motivations for legitimacy, and the impression that support the administration's desire to disclose international cooperation. Furthermore, the property cost theory explains the difference in the disclosure of IC types. Firms have not adopted a consistent IC reporting

framework, and the inconsistency in reporting international cooperation is also evident as the scope of IC detection subcategories and subcategories differ between companies. The results also indicate that companies may not have correctly measured and managed the IC. The paper of Omar and Christian (2014) sought to document the relationship between the intellectual capital disclosure of biotechnology companies listed on the Copenhagen Stock Exchange between 2001 and 2010. The intellectual capital disclosure was calculated from the financial statements based on the paper of Bukh et al. (2005), while the following data were retrieved from the analyst from the Institutional Mediators Estimate System.

Al-delawi et al., 2015, tested a set of factors related to developing inherited and acquired individual creativity skills to find solutions to the problems facing the work of individuals and solving them by coordinating costs in a sample that includes some branches of the current telecom companies, namely, Asia Cell and Zain Iraq. The results of the study concluded that individual creativity is linked to the development of products and services. New companies are offering them to customers, and this requires organizing the costs of transferring information and modeling, creativity requires individual creative skills, and creativity has individual components, including organizational encouragement, the absence of organizational obstacles, and the study of the necessity of linking the elements of individual creativity to a set of technical indicators, the most important of which is raising the efficiency of workers' performance and holding training courses.

Kazan (2016) examined the effect of CEO compensation on the performance of Scandinavian companies. The current studies provide different results about the effect of CEO compensation on the company's performance. Two important theories are described: Agency theory and stakeholder theory. The test sample consisted of Scandinavian companies that had a place in the 2016 Forbes Global 2000 list. The effect of CEO compensation on the company's performance was tested using ROE and ROA performance measures. The results showed an unimportant negative relationship between the CEO's compensation and the company's performance.

According to Muhammad and Abdullah (2016), it was derived from social exchange theory to investigate the mediating role of organizational commitment on the effect of empowerment and compensation on organizational performance. Where the vast majority of the previous studies use social exchange, the theory focuses on testing the direct impact of various organizational practices on functional and organizational outcomes with little attention to the intermediate mechanism that facilitates such communication and a growing body of knowledge in social exchange theory posits that social exchange relationships as a predominant practice within the organization. In this context, data were collected from bank managers using a sectional survey and supported all direct and indirect proposals. The results indicated an organizational commitment to mediate the effect of empowerment and compensation on organizational performance. The restrictions and implications of the study and the scope of future studies were also discussed. As for (Ogbodo and Egbunike, 2016), we studied the relationship between human resource performance ratios and financial performance to work properly. Institutions use resources that can be from either internal or external sources. In most organizations, human resources constitute one of the main internal resources available to management. In today's highly competitive and globalized era of knowledge, human resources are considered the most important asset in any organization, no company can exist without its employees, and stakeholders are now required to assess HR information, record it, and disclose it fairly in the financial statements, which are relevant to a diverse group. One of the decisions taken by external and internal users and dealing with investing in individuals as assets can be attributed to two main reasons: The first is present, and potential investors need such information to help evaluate the value of business projects; and second, it only meets investments in human assets (treatment standards can be considered HRA disciplined internally and externally: Internally as a management tool; an external tool for the preparation of reports).

Onyinyechi and Ihendinihu (2017) studied human resource accounting and the financial performance of Nigerian companies. To determine the extent of the impact of human resources on total revenue, corporate profits after taxes, and net assets. The results showed that PBC has a significant and positive impact on the PAT, while net assets have a negative impact. The research concluded that it could not be overemphasized on the contribution of human resources to companies' financial growth. Companies must have a culture of training, developing, and motivating employees to do their best for the financial growth of their organizations. Providing them with the infrastructure and a favorable work environment can reduce the job turnover of companies, and Vaddadi et al. (2018) conducted in 10 branches of the nationalized Bank of India to verify the relationship between human resource accounting and company performance. On the methods of using the quantitative method for examination of the relationship between human resource accounting and company performance. The researchers identified three independent factors of human resource accounting (HRA) and one dependent factor as company performance. The first hypothesis was a positive correlation between the cost of shelter and the performance of the company, and the second hypothesis was "*There is a positive correlation between the health and safety cost and the performance of the company*," and the third hypothesis was "*There is a positive correlation between the cost of training and development and the performance of the company*." According to the results of the current study, the cost of shelter and training and development costs were significantly related to the company's

performance, but the cost of health and safety was moderately related to the company's performance. The research helps banks learn about the importance of investing in human capital.

The paper of Zambrano et al. (2018) sought to analyze the impact of investing in intangible resources, specifically training, and advertising, on the market value of companies. A sample of the main Spanish companies mentioned in IBEX-35 revealed that both the investments in training and advertising separately have a positive relationship with the ratio of book value/market value in the coming year (in both periods analyzed, 2006-2009 and 2008-2011). The combined effect is positive and significant in both periods (2006-2009 and 2008-2011). The results are more related to the second period (2008-2011), and as a result, the effect of investments made during the current period of the crisis on market value can be verified.

The disclosure of human capital and the market value of companies are the focal points of the increase in the number of research and studies over the past few decades. Most of the basic research issues that discussed disclosing human capital are as follows:

Current empirical studies indicate that human capital is disclosed through items in the financial statements. In some previous studies, the existence or disclosure testing has been investigated (Jindal and Kumar, 2012), which limits the comprehensive disclosure of human capital applications and the market value of companies. Moreover, such studies that focus on human capital in company financial statements are limited. Table 1 briefly summarizes the previous studies. The majority of these studies consider human capital to be a component of intellectual capital. As a result, comprehensive disclosure is limited by focusing on the importance of human capital management, which primarily calls for determining companies' ability and codifying human capital contribution. As a result, it is necessary to investigate the current mechanisms for the disclosure of human capital in Iraqi firms.

It is also noticed that human capital disclosure practices that have occurred in developing, for example, are certainly different from developed countries (Abeysekera,2010). Therefore, the results of the previous studies conducted in the environment of a developed country may not necessarily be explained by the Iraqi corporate sector. Furthermore, it appears that human capital is considered an important resource in Iraq, making managing human capital an important endeavor in the Iraqi context.

The substance of the disclosure rules in Iraq regarding human capital information is on an optional basis, as a result of what the company sectors have great freedom to disclose in addition to the data contained in the financial statements will be incorporated into other data according to what the disclosure rules dictate in the unified accounting system.

Moreover, the motivation to reveal aspects of human capital depends on returns that may or may not be realized. Empirical studies indicate that market analysts are keen to know the company's intangible assets, and therefore, companies that disclose in the long run their business tend to get a better assessment of the market (Marr, 2003).

2.2 Theoretical Framework

The main point that the researcher tries to work on it is whether the disclosure of human capital does not affect the market value of companies. The following figure clarifies the theoretical framework of the study:

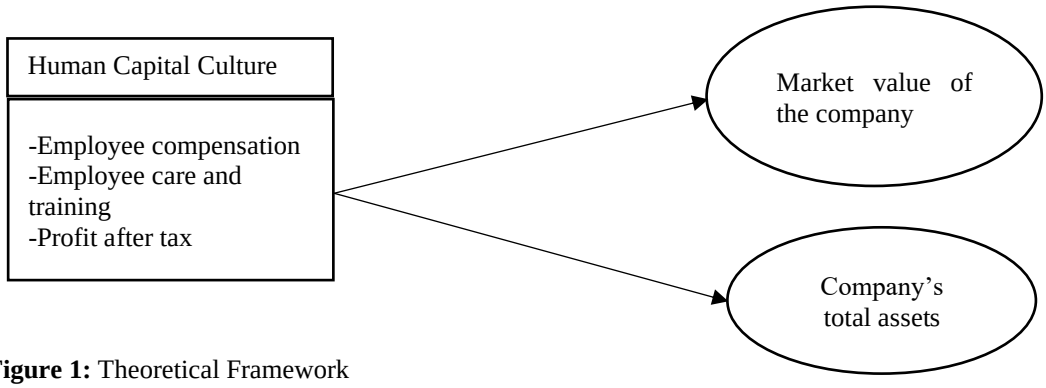

Figure 1: Theoretical Framework

Thus, this research came to fill the gap of the previous studies, which requires further investigation, and the following hypotheses were formulated:

H1: *There is a significant relationship between employee compensation and the market value of the company.*

H2: *There is a significant relationship between employee care and training expenses and the market value of the company.*

H3: *There is a significant relationship between the profit after tax and the market value of the company.*

H4: *There is a relationship between employee compensation and the company's total assets.*

H5: *There is a significant relationship between employee care and training expenses and the company's total assets.*

H6: *There is a significant relationship between the profit after tax and the total assets of the company.*

3. Methods And Data Analysis

Previous studies (Zambrano et al., 2018; Jindal and Kumar, 2012; Husin et al., 2011) have shown some specific predictions regarding the disclosure of human capital and its impact on the market value of companies. To investigate the relevant variables in clarifying the amount of disclosure of human capital and its impact on the market value of the company, using a purposive sampling method obtained from as many as 40 companies from Iraqi companies listed on the Iraq Stock Exchange were chosen to examine the effect of disclosure on human resources and its impact on the market value of the company. Variables were examined (employee compensation, care and training expenses, and profit after tax and its relationship to the market value of the company) and (employee compensation, care and training expenses, and profit after tax and its relationship to the company's total assets) to verify the determinants of human capital disclosure and its impact on the market value of the company in the sample of Iraqi companies.

3.1 Data Description

3.1.1 Market Value

Knowing whether revealing human capital in the annual report has a great impact on the market value, the regression model has been used to study the relationship between the disclosure of human capital and the company's performance according to the terms of the market value and the book value (M/B) of net assets. Companies' performance in 2018 was used to cover the performance after the success of the disclosure for 1 year. In this regard, companies with higher disclosure of human capital tend to have a higher market value than a book value assuming the stability of other factors.

3.1.2 Data

Annual reports and all required data for 40 companies in the Iraqi market were utilized in 2018 in the Iraq Stock Exchange.

3.1.3 Research form

The following two models have been used for experimental evaluation to determine the effect of the independent variables on the market value of the selected company:

Model 1: Log MCi=α + β1CEi + β2SWTEi + β3PATPEi + β4LogNSi + + β6D/Ei + ei

Model 2: LogTAi=α + β1CEi + β2SWTEi + β3PATPEi + β4LogNSi + β5LogMCi + β6D/Ei + ei

Where:

I=Company rank in the sample

α=Coefficient of intersection

B=A parameter showing the effect of the independent variable on the dependent one

e=an error

Log MC=normal logarithm of market capitalization

Log TA= the normal logarithm of total assets

CE=Employees' compensation

SWTE=Staff welfare and training expenses

PATPE=Profit after tax for 1000 employees

Log NS=Normal algorithm of net sales (revenue)

D/E=Ratio of indebtedness to ownership.

3.2 Data Analysis

Model 1: LogMCi=α + β1CEi + β2SWTEi + β3PATPEi + β4LogNSi + + β6D/Ei + ei

In Table (1), The value of R2 reached 0,386, so all predicted variables such as employee compensation (CE), staff welfare and training expenses (SWTE), posttax profit (PTAP), net sales (NS log), and the percentage of debt to property rights explain 38.6% of the change in results variables which means market capitalization (MC log). The value of adjusted R2 is 0.376%, which, in turn, means that the variation in market capitalization is explained by human resource variables and regularity variables when it is taken from the community rather than a sample. The difference between the adjusted R2 and R2 is 1% or 0.01 (0.386-0.3716), which is a small difference. The decrease in the value states that the current model will show approximately 0.1% less variation in the result variable, i.e., market capitalization (Log MC), if it is derived from the community rather than the sample. The value of F in the model is 38.002 with the potential value $p<0.01$, which means that the current model (Model 1) can significantly improve the predictability of the results variable. The current model is significant in predicting the capitalization market (MC log)) at the level of 1% of importance.

Table 1: Model (1) summary

R square	Adjust R square	Std. the error of the estimate	F-value	Sig.	Durbin-Watson
0.386	0.376	0.87461	38.002	0.000***	1.940

Source secondary data analysis; ***p<0.01 with 1% level of significant

In Table (2), the employees are compensated (EC). T=−1.296583, the value p=0.169 in predicting market capitalization (MC log). While the staff welfare training expense (SWTE) =4.010527, the value of p <0.01 and posttax profit t=3.324865, the value of p<0.01 value, they highly expect market capitalization (MC log).
Log MCi = 7.364418 − 0.000049CEI + 0.000489SWTEI + 0.000002 PATPEI + 0.202154 Log NSI + 00,020023D/EI + ei

Table 2: Transaction for model 1

Variable	Unstandardized coefficient		Unstandardized coefficient	t	Sig.	Collinearity statistics	
	B	Std. error	Beta			Tolerance	VIF
Constant	7.364418	0.325641		21.237183	0.000		
EC	0.000049	0.000003	−0.128448	−1.296583	**0.169*** **	0.216212	4.3736
SWIT	0.000489S	0.0000120	0.405416	4.010527	0.000***	0.185211	4.8536
PATPE	0.000002	0.0000001	0.151776	3.324865	0.000***	0.871546	1.0316
Log NS	0.202154	0.035247	0.410062	7.654671	0.000***	0.673051	1.2312
D/E	0.020023	0.050021	0.014283	0.312491	0.000***	0.924412	1.0248
***p-value<0.01, i.e., sig. at 1%, **p-value<0.05, i.e., sig. at 5%, *p-value<0.1, i.e., sig. at 10%							

Table 3: Model summary 2

R square	Adjusted R square	Std. error of the estimate	F- value	Sig.	Durbin–Watson
0.707	0.701	0.68725	123.854	0.000***	1.823

In Table (3) for model 2, the value of R2 reached 0,701, so all predicted variables in table (4), such as employees are compensated (EC), t=-2.576801, p<0.01, staff welfare training expenses (SWTE), t= 3.738234, value p < 0.01 and posttax profit (PTAP), t= 2.576434, and value p<0.01 total asset prediction significance (TA log) t= 8.375160. So, all predicted variables such as employee compensation (CE), staff welfare and training expenses (SWTE), posttax profit (PTAP), net sales (NS log), and the percentage of debts to property rights explain 38.9% of the change in results variables which means market capitalization (MC log). The value of adjusted R2 is 0.376%, which, in turn, means that the variation in market capitalization is explained by human resource variables and regularity variables when it is taken from the community rather than a sample. The difference between the adjusted R2 and R2 is 1% or 0.01 (0.389 -0.3716), which is a small difference. The decrease in the value states that the current model will show approximately 0.1% less variation in the result variable, i.e., market capitalization (Log MC), if it is derived from the community rather than the sample.

The value of F in table (1) model (1) is 38.6 with the potential value p < 0.01, which means it can significantly improve the predictability of the results variable. The current model in table (4) is significant in predicting the capitalization market (MC log)) at the level of 1% of importance.

Log TAi=1.828464 − 0.000006CEi + 0.000355SWTEi + 0.000001PATPEi + 0.492014 Log NSi + 0.4850410LogMCi + 0.426585 D/Ei + ei

Table 4: Transaction table for model 2

Variable	Unstandardized coefficient		Unstandardized coefficient	t	Sig.	Collinearity statistics	
	B	Std. error	Beta			Tolerance	VIF
Constant	1.828464	0.458432		4.1185624	0.000		
CE	−0.000006	0.000002	−0.163238	−2.576801	**0.007*** **	0.212828	4.434802
SWIT	0.000355	0.000085	0.271718	3.738234	0.000***	0.174867	5.268865
PATPE	O,000001	0.000000	0.074256	2.576434	0.000***	0.824385	1.034673
Log NS	0.492014	0.029112	0.297568	8.375160	0.000***	0.524236	1.562275
Log MC	0.485041	0.041543	0.443103	10.714108	0.000***	0.591205	1.513429
D/E	0.426585	0.038944	0.341348	10.651671	0.000***	0.893855	1.025325

4. Discussion Of Results

The findings indicate that training has a positive effect on market capitalization. This confirms that the difference between the market and book values can be attributed to human resources, which agrees with the study of Husin et al. (2011). The investment in training employees generates human capital, which helps in achieving a competitive advantage for the company through gaining and enhancing knowledge and valuable skills. The investment in employees also leads to an increase in profit, production, cash flow, and total assets. The cumulative benefits derived from training are added in the form of larger total assets in the long term, and this is seen by

investors as an indication of future growth. Investors tend to invest in the shares of companies that have an increase in market value of shares.

The results showed a negative relation among employee compensation and the company's total assets. The reason behind the negative effect is probably to compensate for the total asset, which is done by high employee compensation rates, and that leaves limited money for investment in assets. Eventually leads to a decrease in total assets. Moreover, this is a manifestation of a primary conflict within the investment approaches to labor intensity and funding intensity. The market value of the company means higher profits after tax, which suggests that the efficiency of the employees is high and leads to an increase in the total assets of the company, and as a result, it is expected that the stock prices will rise, and thus increase of the market value.

5. Conclusion

In a knowledge-based economy, human capital culture is regarded as an important source of long-term competitive advantage. The disclosure of human capital information will most likely provide various benefits to organizations and institutions based on the proficiency of people and the workforce in the company.

As a result, it is critical to investigate the impact of human capital accounting on businesses, in which the incurred expenses on human resources will be analyzed based on the company's value and then the need to deal with these kinds of expenses as investments in human resources are not like regular expenses required by the company's tasks. To determine the value of the company, both market capitalization and total assets were used, and 40 companies from the Iraq Stock Exchange were chosen for research in 2018. A multiple regression model was used to achieve the research objectives.

According to the findings of this study, employee compensation has no significant impact on market capitalization, whereas employee care and training expenses and profits have a positive and significant impact on market capitalization.

5.1 Recommendations

- **i.** Training employees should be considered as an investment, not as an expense on human resources because the investment in human resources does not lead to instant results; first, it requires a period to achieve its benefits. Second, it helps in the survival and sustainability of the company in the long term by achieving a competitive advantage. Therefore, training the employees provides returns for a long time.
- **ii.** The company can increase its wealth through increasing posttax profits; there is a positive relationship between posttax profit and market capitalization and enhancing productivity. The productivity of employees can be increased using advanced technology, improving their skills and knowledge, and decreasing employee turnover.
- **iii.** Human resources accounting should focus on handling the expenditure on human resources as an asset, not as revenue. Moreover, the results have shown the positive effect of training on market capitalization. This confirms that the difference between the market value and the book value could be caused by human resources.

5.2 Restrictions On The Study

- **i.** The unavailability of data in many companies is considered an obstacle in making such kind of research.
- **ii.** This research has been conducted to study the relationship between human resource variables and value variables of data in the year 2018.
- **iii.** The study focused on three variables of human resources and the analysis of their effect on company value.
- **iv.** This study has been conducted in one of the developing countries which are Iraq. A study of human resources and company values can be made in both advanced and developing countries.

5.3 Future Studies

This study is an analytical presentation of data from companies. Future research can focus on analyzing data to show the effect of human resource variables on company evaluation through different periods. Furthermore, future studies can analyze other human resource variables such as the number of employees, the value of human resources, the efficiency of human funding, the percentage of employee usage, the range of employee turnover, share options, and other variables that can affect the value of the company. Hence, a study could be made to show if these different variables have different effects within different industries and sectors.

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