
The Impact of Human Resources Cycle on Enhancing Fundamental Qualitative Characteristics of Accounting Information of Jordanian Commercial Banks



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ABSTRACT

This study aimed to explore the respondents' perceptions on the impact of human resources cycle on fundamental qualitative characteristics (i.e. faithful representation and relevance) of Accounting Information in Jordanian Commercial Banks. The researcher has designed a 34-item questionnaire that distributed to 168 respondents who are working at Jordanian commercial banks, out of 168 questionnaires distributed only 128 were returned, ten of these questionnaires were excluded because they were invalid, the remaining 118 questionnaires yielded 70% responses rate. The results show no impact for hiring on fundamental characteristics; this means that hiring is not related to the fundamental qualitative characteristics. While the results show a positive significant for human resources cycle (Training, Measuring Performance, and Compensation) on fundamental qualitative characteristics of Accounting Information at Jordanian Commercial Banks. Thus it is recommended to improve hiring procedures at Jordanian Commercial Banks, additionally; more studies are needed to support the result of current study.

JEL Classification: G20; M10; O15.

Keywords: Human Resources Cycle; Fundamental Qualitative Characteristics; Jordanian Commercial Banks.

1. INTRODUCTION

The Competition among commercial banks in fact is a competition to attract clients through using several tools such as prices, quality of services provided, marketing and other related services. In doing so, the banks concentrate on attracting well qualified employees and interne them to make them able to provide service in optimal manner through Human Resources Cycle (i.e. Hiring, Training, Measuring Performance, and Compensation or Payroll System).

The aim of financial statements is to provide useful information to stakeholders, to be useful, information must be faithfully represented and relevant (IFRS, 2008). to provide useful information it must be prepared in accordance with accounting standards requirements. Thus, the quality of financial statements depends on the people who are preparing these statements, this is especially true since some accounting numbers are based on personal judgments and appraisals such as allowances and provisions and some fair value measurements. Hence, Abubakar and Abubakar (2015) claimed that the essence of financial statements is to communicate to users of accounting information the true and fair operating performance

Cohen and Levinthal (1989) argued that enterprises are nowadays feeling a growing need to undertake important investments in their human resources, in order to assimilate and exploit externally available information. Similarly, Huselid (1999) and Hand (1998) disputed that investments in human resources are positively associated with future performance and value creation. In line with that, companies try to hire well qualified employees and motivate them by high compensation, otherwise, companies should qualify their current employees through training to enhance their performance and measuring their performance frequently to provide needed training. Afterwards, the employees will be motivated by compensations to do their job in best manner, which will be reflexed as best performance. And by then, accounting numbers will be prepared in they will achieve faithful representation and relevance characteristics.

1.1 Problem Statement

Human Resources Cycle can play a vital role in enhancing Fundamental Qualitative Characteristics through hiring employees and then, training, measuring their performance, and compensation which will reflect as best performance. Thus, to provide empirical evidence on this issue, this study tries to answer these questions:

- 1- Does Hiring have Impact on Fundamental Qualitative Characteristics of accounting information in Jordanian Commercial Banks?
- 2- Does Training have Impact on Fundamental Qualitative Characteristics of accounting information in Jordanian Commercial Banks?
- 3- Does Measuring Performance have Impact on Fundamental Qualitative Characteristics of accounting information in Jordanian Commercial Banks?
- 4- Does compensation have Impact on Fundamental Qualitative Characteristics of accounting information in Jordanian Commercial Banks?

1.2 Objectives of the study

This study has four objectives as follows

- 1- To explore the impact of hiring on enhancing fundamental qualitative characteristics (i.e., faithful representation and relevance)
- 2- To explore the impact of training on enhancing fundamental qualitative characteristics (i.e., faithful representation and relevance)
- 3- To explore the impact of measuring performance on enhancing fundamental qualitative characteristics (i.e., faithful representation and relevance)
- 4- To explore the impact of compensation on enhancing fundamental qualitative characteristics (i.e., faithful representation and relevance)

2. HUMAN RESOURCES CYCLE

The Human Resources Management is a recurring set of business activities and related data processing operations associated with effectively managing the employee workforce. And the Human Resources Management information system consists of two related, but separate, subsystem: Human Resources Management. The Human Resources Management system records and processes data about the activities of recruiting, hiring, training, assigning, compensating, evaluating, and discharging employees. The payroll system records and processes data used to pay employees for their services. (Romney & Steinbart 2012).

Hiring: -is the hiring procedures which including verification of job applicant's skills, references and employment history, training on current developments in employment law.(Romney & Steinbart 2012).

Payroll (compensation):-one of the most important components of the AIS, and must be designed to meet government regulations as well as management's information needs. (Romney & Steinbart 2012).

Training: - is one of the most important strategies for organizations to help employees gain proper knowledge and skills needed to meet the challenges in an organizational environment. (Deshmukh et al 2013)

Measuring Performance: -is the progress of collecting, analyzing and/or reporting information regarding the performance of an individual, group, organization. (Upadhaya et al 2014).

2.1 Qualitative Characteristics of Accounting Information

IASB adopts the qualitative characteristics of accounting information as issued by IASC Board in 2001. This includes relevance, faithful representation, comparability, verifiability, timeliness, and understandability. These characteristics are to enhance the quality of financial statements and provide useful information to variety of users. This framework, according to IFRS (2008), is divided into fundamental and enhancing qualities. The fundamental qualities are relevance and faithful representation, while the enhancing qualities include comparability, verifiability, timeliness, and understandability. (IFRS, 2008).

2.2 Fundamental Qualitative Characteristics of Accounting Information

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Fundamental qualitative characteristics distinguish useful financial reporting information from information that is not useful or is misleading. For financial information to be useful, it must possess two fundamental qualitative characteristics i.e. relevance and faithful representation (IFRS, 2008, p. 13).

2.3 Relevance

Information is relevant if it is capable of making a difference in the decisions made by users in their capacity as capital providers. Information is capable of making a difference if it has predictive value and confirmatory (IFRS, 2008, p. 35).

2.4 Faithful Representation

According to FASB, representational faithfulness is a "correspondence or agreement between a measure or description and the phenomenon that it purports to represent" (FASB, 2006a, p. 23).

3. LITERATURE REVIEW

Egbunike and Ogbodo (2016) this study aims to explore the Relationship between Human Resource Performance Ratios and Financial, The population of companies in the service sector (Banks & Insurance Companies) as shown on the Stock Exchange Fact book of 2012/2013, The researcher primarily relied on secondary sources of data (i.e. Published Financial Statements), Secondary data was obtained from financial statements of quoted Banks and Insurance Companies as shown on the Nigerian Stock Exchange Fact book for 2011/2012 and 2012/2013 respectively, the researchers employed multiple regression technique. Analysis of secondary data was done with the aid of Statistical Package for Social Sciences (SPSS) the study finding there is a significant relationship between human resource performance ratios and return on assets; and net profit margin. The study recommended Improved Disclosure of Human Resource Values in Financial Reports: Financial reports serve as a medium for communicating between the management of the firm and its various stakeholders.

Souza et al (2016) aims to explore the Financial Performance and Information Disclosure on Human Resources: an Analysis of Companies in The IBrX – 100. Of the 100 companies listed in the index. We obtained a sample of 75 companies belonging to different activity branches. The statistical technique of multiple regression was used to support the interpretation of the data was used, a result it was found that the companies analyzed had a low rate of information disclosure on human resources, as most of the companies showed between 0% and 40% of the items listed in the method. This study suggested that future studies investigate if there is a relationship between the disclosure of human resources and the financial performance using other variables.

Bhuiyan et al (2015) explored the Impact of Human Resource Information Systems on Firms' Financial Performance, this whole industry consists of 55 scheduled banks (listed in the Central bank of Bangladesh) having 8427 branches classified into four categories. These are state-owned commercial banks (04) specialized banks (04), private commercial banks (38) and foreign commercial banks (09). A total 46 out of 55 banks considered for the study as rest of the banks has only one or two years of experience to keep the result free from insignificant impact on the study results. Data on firms' financial results extracted from the financial statements highlighted in the annual reports of 2009-2013. Out of 46 banks, the completed financial data found from 41(89%), Regression and multivariate analysis of covariance (ANCOVA) is suitable tool to analysis the significance relationships among them. the study findings may also provide a good starting point to the future researchers for further study on the financial aspects of today's HRIS applications. The result indicates the Applications of HRIS have direct and positive impact on the firm's financial results.

Marufet al (2014) examined the Effects of Human Resource Management Practices on Financial Performance of Banks in Nigeria. This paper designed a questionnaire included life of the bank, number of employees, years of education of employees, experience of HR manager with this bank and in the banking industry and HRM practices. Out of these items, only HR practices were considered for analyses. Perceived financial performance of the banks in the last three years. For finding the contribution of independent variables towards dependent variable, multiple stepwise regression analysis and correlation based on the methodology are used. And Pearson correlation is used for finding the degree of relationship between several variables. The results showed four independent variables namely selection, training, compensation and employee participation has a high positive effect on the financial

performance of banks. And the study identified selection, training, compensation and employee participation as major factors for high financial performance of banks.

Odumeru and Ilesanmi (2013) Studied the Effects of Human Resources Development on Financial Performance of Organizations. 120 questionnaires were distributed to staff of two of Nigeria's leading banks. 84 returned copies were found to be usable representing a 70% response rate. Multiple regression analysis and ANOVA was used to analyze data and test the hypotheses. The model explains 63% of the relationship between the dependent (commitment and competence) and independent variables (employee participation in HRD and perceived benefits of HRD). And the relationship between dependent and independent variables. And the study shows a positive significant relationship ($p < 0.05$) between the dependent and independent variables. This research has shown that financial performances of organizations depend on several factors some of which include commitment of workers to the organization and employee competence. Thus for an improved financial performance, organizations must engage in HRD initiatives on a regular and consistent basis.

Arumugam (2011) Claimed there are many factors improving performance of Malaysian Industries namely, employee participation, training, job description, career planning system, compensation system, selection system, and performance appraisal system. Unit of analysis of this study is employees working in Malaysian industries. The population size of this study is around 10000 employees working in Malaysian industries. SPSS and AMOS software will be used to analyze the data. According to statistic for Structural equation modeling SEM, the sample size should be between 250 to 400. and the sample size of this study is around 300. The conclusion for this study through the main contribution was to persuade managers to take a serious attention on the relationship among HRM practices. This study recommended for Future studies could look into the possible inclusion of few other Human Resource Management factors such as supervision, and pay practices.

(Quresh et al 2010) Used a questionnaire to explore the human resources management practices have an effect on financial performance; they collected 38 participants' responses, with response rate 83%. Multiple stepwise regression analysis and correlation were used. And Pearson correlation is used for finding the degree of relationship between several variables. The results showed selection, training, and compensation has a high positive effect on the financial performance of banks. And the study identified selection, training, and compensation as major factors for high financial performance of banks.

Cetin (2010) tested Effect of Human Resource, Marketing and Manufacturing Performance on Financial Performance. A sample of 200 Turkish manufacturing firms in Kocaeli was contacted. The questionnaires send by mailed to these firms. Data were obtained from 110 firms. With response rate 55%. The relationships among the variables were tested by multiple regression analyses, correlation analyses were applied for one to one relationships. Results of correlation analysis revealed that all variables are positively related to both financial performance and to each other. And this study find Human resource management has no significant effect on a firm's financial performance.

Abdullah et al (2009) aimed to test the Effect of Human Resource Management Practices on Business Performance among Private Companies in Malaysia, Data were analyzed through the SPSS, and multiple regression analysis was used. The researcher has designed a 25 - item questionnaire distributed to 159 respondents who are working in Private Companies in Malaysia, out of 159 questionnaires distributed only 153 were returned, 6 of these questionnaires were excluded because they were invalid, the remaining 153 questionnaires yielded 91.45% responses rate. The results of hypotheses shows training and performance appraisal have significant impact on business performance and shows there is no significant relationship with business performance with the compensation/incentives and employees security. These results indicate that these two factors will not likely to influence the overall business performance in the Malaysian business organization.

4. HYPOTHESES OF THE STUDY

The following hypotheses are then proposed in this study in parallel to literature studies:

- 1- There is a positive impact for hiring on fundamental qualitative characteristics at Jordanian commercial banks.
- 2- There is a positive impact for training on fundamental qualitative characteristics at Jordanian commercial banks.

3- There is a positive impact for measuring performance on fundamental qualitative characteristics at Jordanian commercial banks.

4- There is a positive impact for compensation on fundamental qualitative characteristics at Jordanian commercial banks.

5. DATA AND METHODOLOGY

5.1 Population and sample selection

Sekaran and Bougie (2013) refer to population as the entire group, events, or things of interest that the researcher wishes to investigate, and the sample is a subset of the population. In this study, the population is Jordanian Commercial banks.

This study aims to test the accountants, heads of departments and managers perception on the impact of human resources cycle on enhancing fundamental qualitative Characteristics of accounting information, this study used the accountants, heads of departments and managers at Jordanian Commercial Banks because they are familiar with aforementioned issues. Questionnaires were sent to the accountants, heads of departments and managers at Jordanian Commercial Banks, to examine their perception in the impact of human resources cycle on fundamental qualitative Characteristics.

Since the objectives of this study are to explore the employees' perception in " The impact of Human Resources Cycle on Fundamental Qualitative Characteristics at Jordanian commercial banks.", we distributed the questionnaire to the accountant, heads of departments and manager in these banks. A 34-item questionnaire distributed to 168 respondents, out of 168 questionnaires distributed only 128 were returned, ten of these questionnaires were excluded because they were invalid, the remaining 118 questionnaires yielded 70% responses rate. Table below highlights the demographic profile of the respondents.

Table 1. Personal Profile of Respondents

Qualifications		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting	44	37.3	37.3	37.3
	Finance	14	11.9	11.9	49.2
	Management	32	27.1	27.1	76.3
	Other	28	23.7	23.7	100.0
	Total	118	100.0	100.0	
Degree					
Valid	Bachelor	89	75.4	75.4	75.4
	Master	13	11.0	11.0	86.4
	PhD	6	5.1	5.1	91.5
	Other	10	8.5	8.5	100.0
	Total	118	100.0	100.0	
Experience					
Valid	less 5	40	33.9	33.9	33.9
	5-10	42	35.6	35.6	69.5
	11 – 15	12	10.2	10.2	79.7
	More than 16	24	20.3	20.3	100.0
	Total	118	100.0	100.0	
Position					
Valid	Accountant	71	60.2	60.2	60.2
	head of department	26	22.0	22.0	82.2
	Manger	8	6.8	6.8	89.0
	Other	13	11.0	11.0	100.0
	Total	118	100.0	100.0	

Table (1) shows that 37.3% of the respondent's in accounting, 11.9% in Finance, 27.1% in Management, and Other 23.7%. Regarding to the Degree of the respondents, Table (1) shows that 75.4% of the respondents had Bachelor, and 11.0% had Master, and 5.1% had PhD, while only 8.5% were other. Regarding to the Years of Experience of the respondents, Table (1) shows that 33.9% of the respondents had less than five years of work experience, and 35.6% had experience between five and ten years, and the others had eleven to fifteen years of experience 10.2%, or more than fifteen years of experience 20.3%. In relation to respondents position, the majority of the respondents majored in accounting 60.2%, 22.0% were head of department, 6.8% specialized in manager, while only 11.0% majored in other fields.

5.2 Linearity, Normality, and Homoscedasticity

Linearity, normality, and homoscedasticity are other important assumptions that should be checked before regression test is performed. The need for normally distributed data is because the correlation represents a linear association between the variables while the nonlinear association is not represented. So the scatter plots should express the normal line for the independent and dependent variables. According to Hair et al. (2013), testing the normality of the data can be done by exploring skewness and kurtosis ratio. Normality is assumed when the skewness and the kurtosis are between ± 1.96 at alpha value .05 and ± 2.58 at alpha .01, respectively. The results of skewness and kurtosis showed that the data of the current study is normally distributed.

5.3 Descriptive Analysis

After reviewing the respondents' profile, this section presents the descriptive results of the variables under study, where appropriate. Table 2 shows the results.

Table 2. Skewness and Kurtosis Test

	N Statistic	Minimum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness Statistic	Std. Error
Hiring	118	2.60	4.2034	.51639	-1.010	.223
Training	118	1.40	4.2695	.62723	-1.075	.223
PM	118	1.60	4.2559	.70354	-1.355	.223
Payroll System	118	2.86	4.2506	.57171	-.706	.223
Qualitative Characteristics	118	3.25	4.3422	.44531	.020	.223
Valid N (listwise)	118					

Descriptive Statistics

	Statistic	Kurtosis Std. Error
Hiring	1.739	.442
Training	2.411	.442
PM	2.533	.442
Payroll System	.110	.442
Qualitative Characteristics	-.646	.442
Valid N (listwise)		

Table 3. Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Hiring	.725	1.380
	Training	.590	1.694
	PM	.487	2.053
	Payroll System	.467	2.143

a. Dependent Variable: Qualitative Characteristics

The above table illustrate Tolerance values are between 0.467 - 0.725 and VIF values are between 1.380 and 2.143, which indicate no multi-collinearity among variables of study where Tolerance value considered accepted if it is between (0.05) and VIF value considered if it is less of (10). Multiple regression analysis was used to test the impact of Human Resources Cycle on Fundamental Qualitative Characteristics of Accounting Information in Jordanian commercial banks; the results are presented in table 4.

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735 ^a	.540	.524	.30727

- a. Predictors: (Constant), Payroll System, Hiring, Training, PM
 b. Dependent Variable: Qualitative Characteristics

The previous table shows value of R which is (0.735), and it represent the strength of the relationship between Human Resources Cycle and Fundamental Qualitative Characteristics at Jordanian commercial banks, and the value of R² (0.540) as the independent variables explain 54% of variance in dependent variable.

6. FINDINGS AND DISCUSSIONS

6.1 Hypotheses Testing

This section presents the findings of the relationship between the independent variables and dependent variable. In doing so, this study used multiple regressions to test the aforementioned relationships. These relationships are hypothesized as follows:

Table 5. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
		B	Std. Error			
1	(Constant)	1.515	.291		5.201	.000
	Hiring	.065	.065	.076	1.013	.313
	Training	.222	.059	.312	3.760	.000
	PM	.205	.058	.324	3.545	.001
	Payroll System	.172	.073	.221	2.369	.020

H1: There is Impact for Hiring on Fundamental qualitative Characteristics at Jordanian Commercial Banks.

The results of first hypothesis show no impact for hiring on fundamental characteristics. This means that hiring is not related to the Fundamental qualitative Characteristics. Table 5 shows that hiring doesn't predict the dependent variable (Fundamental qualitative Characteristics); According to the results the first hypothesis is not supported.

H2: There is impact for Training on Fundamental qualitative Characteristics at Jordanian Commercial Banks.

The results of second hypothesis show there is impact for training on Fundamental qualitative Characteristics. This means that training is significantly and positively related to the Fundamental qualitative Characteristics. Table 5 shows that training predicts significantly the dependent variable (Fundamental qualitative Characteristics), in which for one unit increase in the independent variable, the dependent variable will increase by 0.312.

H3: There is impact for Measuring Performance on Fundamental qualitative Characteristics at Jordanian Commercial Banks.

The results of third hypothesis show there is impact for Measuring Performance on Fundamental qualitative Characteristics. This means that Measuring Performance is significantly and positively related to the Fundamental qualitative Characteristics. Table 5 shows that Measuring Performance predicts significantly the dependent variable (Fundamental qualitative Characteristics), in which for one unit increase in the independent variable, the dependent variable will increase by 0.324.

H4: There is impact for compensation on Fundamental qualitative Characteristics at Jordanian Commercial Banks.

The results of fourth hypothesis show there is impact for compensation on Fundamental qualitative Characteristics. This means that *compensation* is significantly and positively related to the Fundamental qualitative Characteristics. Table 5 shows that *compensation* predicts significantly the dependent variable (Fundamental qualitative Characteristics), in which for one unit increase in the independent variable, the dependent variable will increase by 0.221.

7. CONCLUSIONS SUMMARY AND RECOMMENDED

The results of first hypothesis show no impact for hiring on fundamental characteristics; this means that hiring is not related to the Fundamental qualitative Characteristics. And shows that hiring doesn't predict the dependent variable (Fundamental qualitative Characteristics), this result came in line with the literature that examined the aforementioned relationships. For example a study of Cetin (2010) Found the Human resource management does not have any statistically significant effect on a firm's financial performance, this result doesn't came in line with the literature that examined the aforementioned relationships such as Quresh et al., (2010) identified that how the practices of HRM (selection system) has impacts on financial performance of organizations.

The results of second hypothesis show there is impact for training on Fundamental qualitative Characteristics; this means that training is significantly and positively related to the Fundamental qualitative Characteristics. And shows that training predicts significantly the dependent variable (Fundamental qualitative Characteristics), in which for one unit increase in the independent variable, the dependent variable will increase by 0.312. This result came in line with the literature that examined the aforementioned relationships. For example a study of Maruf et al 2014, the results showed training has a high positive effect on the financial performance of banks and Quresh et al., (2010) identified that how the practices of HRM in training impacts on financial performance of organizations. And Abdullah et al (2009) the results showed that training have positive and significant influence on business performance.

The results of third hypothesis show there is impact for Measuring Performance on Fundamental qualitative Characteristics; this means that Measuring Performance is significantly and positively related to the Fundamental qualitative Characteristics. And shows that Measuring Performance predicts significantly the dependent variable (Fundamental qualitative Characteristics), in which for one unit increase in the independent variable, the dependent variable will increase by 0.324. This result came in line with the literature that examined the aforementioned relationships. For example a study of Quresh et al., (2010) identified that how the practices of HRM performance appraisal system impacts on financial performance of organizations, and Abdullah et al (2009) the results showed that performance appraisal, have positive and significant influence on business performance. And the results of current study doesn't came in line with the literature that examined the aforementioned relationships such as Cetin (2010) Found the Human resource management does not have any statistically significant effect on a firm's financial performance.

The results of fourth hypothesis show there is impact for compensation on Fundamental qualitative Characteristics; this means that compensation is significantly and positively related to the Fundamental qualitative Characteristics. And shows that *compensation* predicts significantly the dependent variable (Fundamental qualitative Characteristics), in which for one unit increase in the independent variable, the dependent variable will increase by 0.221. This result study came in line with the literature that examined the aforementioned relationships. For example a study of Maruf et al 2014, the results showed compensation has a high positive effect on the financial performance of banks and Quresh et al., (2010) identified that how the practices of HRM in compensation system impacts on financial performance of organizations. And the results of current study doesn't came in line with the literature that examined the aforementioned relationships such as Abdullah et al (2009) the results showed there is no significant relationship with business performance with the compensation/incentives.

It is recommend in the future studies improve hiring procedures at Jordanian Commercial Banks, and I suggest making more studies in hiring, because it will impact on the Fundamental qualitative Characteristics of Accounting Information at Jordanian Commercial Banks.

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