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HUMAN CAPITAL DISCLOSURE IN MONGOLIAN JOINT-STOCK COMPANIES

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Highlights

- The study evaluates the current state of human capital disclosure (HCD) in Mongolian joint-stock companies from 2017 to 2022.
- Analysis is based on a dataset of 23 companies' annual reports and applies 20 key indicators drawn from international reporting frameworks.
- The methodological approach integrates qualitative and quantitative content analysis to assess both input and output disclosure metrics.

- Findings reveal significant gaps in reporting practices, with basic employee data disclosed by 59.4% of firms, while financial and performance indicators remain critically underreported.
- Practical recommendations emphasize the adoption of standardized reporting frameworks and regulatory measures to enhance HCD transparency and comparability.

Abstract

Introduction: Human capital disclosure refers to the systematic communication of information related to an organization's workforce—its knowledge, skills, experience, and contributions—to stakeholders. It serves as a tool for demonstrating how human resources impact organizational performance and sustainability. Although initial efforts in the 1970s introduced human resource accounting, interest resurged in the 1980s with support from institutions like the OECD and World Bank. Despite growing global emphasis on the importance of HCD, its implementation remains fragmented, especially in emerging economies like Mongolia. This study aims to evaluate the transparency and quality of human capital disclosures in Mongolian joint-stock companies.

Methods: The study analyzed annual reports from 23 companies listed on the Mongolian Stock Exchange between 2017 and 2022 using both qualitative and quantitative content analysis. Human capital data were assessed based on 20 indicators (9 input and 11 output), following the Integrated Reporting Framework, ISO 30414, ESG standards, and IFRS guidelines. Each indicator was scored using a binary scale (0 or 1), and annual weighted averages were calculated. Companies were also categorized by sector and size according to national standards to evaluate disparities.

Results: The analysis revealed that while 59.4% of firms reported employee headcount and 51.2% included demographic data, fewer than 10% disclosed key financial information such as compensation (0.7%) and recruitment costs (8%). Output metrics were similarly sparse: workplace accidents were reported by 16.5% of firms, productivity by 10.2%, and absenteeism by none (0%). Large companies were generally more transparent than SMEs, and financial sector firms outperformed non-financial ones in input disclosures. Among the most transparent companies were Gobi JSC (65% input, 39% output) and APU JSC (52% input, 24% output).

Discussion: The findings suggest that human capital disclosure practices in Mongolia are underdeveloped and inconsistent. The absence of standardized reporting requirements, limited awareness, and lack of regulatory incentives contribute to these shortcomings. Although larger firms and financial institutions showed relatively better performance, overall transparency remains low, especially for output and financial indicators. To improve HCD, Mongolian firms should adopt globally recognized standards such as GRI or SASB and receive capacity-building support. Policymakers are encouraged to mandate core human capital metrics and provide guidance for effective implementation.

Keywords

Entrepreneurial structures, assessment methodology, correlation-regression analysis, added value, multi-criteria optimization.

JEL classification: L26, M21, O20.

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Introduction

Human capital disclosure is the process of presenting comprehensive information about labor relations within an organization, particularly the contribution of employees' knowledge, skills, experience, talents, and professional competencies to organizational outcomes, value, success, advantage, and sustainability, in a clearer and more systematic way to stakeholders. The human resources accumulated by an organization and their capitalized productivity create specific results. This can be understood as the process of systematically and accurately reporting the influence of human resource management on performance and development metrics to managers, investors, and stakeholders.

In 1973, the Human Resource Accounting Committee of the American Accounting Association proposed "Models for the Identification and Measurement of Human Resource Information," which opened opportunities for interested parties to access this information [1]. Although this was the first attempt to report the financial consequences of the collective knowledge held by individuals within a company, it was rejected by social documentarians for overlooking intangible aspects and behavioral issues, and it was not adopted in practice.

Since the 1980s, interest in human resource accounting has been revived, and there has been renewed effort to report the financial consequences of the collective factors held by individuals and firms. The OECD, as a regulatory body, proposed national-level measurement indicators for intangible investments in the 1980s, sparking increased interest among organizations and researchers. In 1988 and 1992, the OECD made its first proposals for defining and classifying the intangible characteristics of human capital [2].

Based on labor force data, the World Bank later introduced the Human Development Index, which led to the global reporting of human capital statistics. The basis for decision-making lies in both economic and non-economic value. Therefore, companies have started attempting to report the financial consequences of the knowledge, skills, experience, and talents possessed by their employees [3]. Companies are developing by voluntarily disclosing certain quantitative and qualitative indicators of human capital in their annual reports.

The purpose of this article is to evaluate the transparency of information disclosure related to the value of human capital in annual reports (2017–2022).

Literature Review

Although it is widely acknowledged that human capital can improve company performance, the disclosure of human capital information to the public in a stable, comparable, and regulated manner remains relatively limited. Firms that transparently disclose human capital information perform better than those that do not, positively affecting market value and performance [4]. Human capital information does not affect share prices in the short term, but investors regard it as a critical organizational resource [5]. Lynn L. K. Lim, Christopher C. A. Chan, and Peter Dallimore argue that identifying human resource indicators that influence business performance and competitiveness allows for more effective management of the business [6]. Transparency in human capital disclosure varies depending on industry characteristics. According to Hamzah's research, Malaysia's hotel industry disclosed more human capital information to the public compared to other sectors [7]. Larger companies tend to be more transparent in human capital disclosure [8]. A content analysis of the annual reports of 25 large companies in the United Kingdom and South Korea found that firms included both quantitative and narrative human capital information in their reports symbolically [9].

A comparative content analysis of the annual reports of companies listed on the Polish and German stock exchanges concluded that the transparency of human capital information was inadequate [10]. A study of British companies' annual reports found that companies emphasized training, health and safety, career development, and employee leadership [11]. Research on companies listed on the Spanish stock exchange confirmed that companies with larger assets disclosed human capital information more transparently [12]. For Indian companies, those with larger assets, more intangible assets, higher profitability, and longer operating history demonstrated better human capital disclosure. To reduce information asymmetry, it is necessary to align the demand and supply of human capital information in annual reports [13]. In annual reports, companies mainly disclose the following indicators of human capital: Human capital expenditures; Research shows that many companies place high importance on employee training, health and safety, leadership, and career development [14; 15]. Empirical studies using content analysis of company annual reports are considered common and effective [16]. A summative approach was used in the content analysis. This approach counts the frequency of specific words or themes in the text.

Methodological Basis

A qualitative content analysis was conducted on the annual report data (2017–2022) of 23 companies. Human capital indicators were grouped and scored according to key measurement indicators from frameworks such as the Integrated Reporting Framework, Sustainability Accounting Standards, ESG (Environmental, Social, and Governance), and IFRS. Specifically, 9 input indicators and 11 output indicators – 20 in total – were evaluated from the Integrated Reporting Framework.

Scoring was based on a scale of 0 to 1, using content interpretation to assign ordinal values, and annual weighted averages were calculated.

Results and Discussion

The companies included in the study represent five sectors, with 52% in the financial sector and 48% in non-financial sectors. Based on ISO 30414 standards, the companies were classified as large [17] or small/medium enterprises using the revenue criteria defined by the Ministry of Finance Order No. 41 (2016) and Article 4.1.1 of the SME Support Law. As a result, 96% were classified as large by revenue, while 43% were categorized as small or medium-sized based on the number of employees.

Table 1. General indicators of the participating joint-stock companies

№	Company Name	Operation Type					Income/Revenue Criteria		Employee Number Criteria	
		Non-financial	Insurance	Securities Company	NBFI	Bank	Sales revenue above 2.5 trillion MNT		Over 201 employees	
							Large	Small, Medium	Large	Small, Medium
1	APU JSC	1					1		2025	
2	Ard Insurance JSC		1				1			100
3	Ard Credit NBFI JSC				1		1			40
4	Ard Financial Group JSC				1		1		276	
5	BDSEC JSC			1			1			9
6	Bogd Bank JSC					1	1			190
7	Bodi Insurance JSC		1				1		200	
8	Gobi JSC	1					1		1548	
9	Golomt Bank JSC					1	1		2266	
10	Darkhan Nekhii JSC	1					1		385	
11	Invescore NBFI JSC				1		1			101
12	LendMN NBFI JSC				1			1		97
13	Mandal Insurance JSC		1				1			150
14	Makh Impex JSC	1					1		600	
15	MIK Holding JSC	1					1			120
16	Mongol Post JSC	1					1		1009	
17	Mongolian Stock Exchange JSC			1			1			52
18	Monos JSC	1					1		234	
19	Suu JSC	1					1		650	
20	Tavan Tolgoi JSC	1					1		206	
21	Talkh Chikher JSC	1					1		886	
22	State Bank JSC					1	1		4000	
23	Tumen Shuvuut JSC	1					1			189
	Total number of companies	11	3	2	4	3	22	1	13	10

Source: Compiled by the researchers

Based on the 9 input indicators of the integrated reporting framework on human capital value, 59.4% of the companies disclosed the number of employees, and 51.2% reported statistical data on employee age and gender composition—these were the highest reporting rates. On the other hand, only 0.7% disclosed information on employee compensation, and only 8% reported on recruitment costs. This highlights the need for disaggregated financial data to be disclosed externally for transparency purposes.

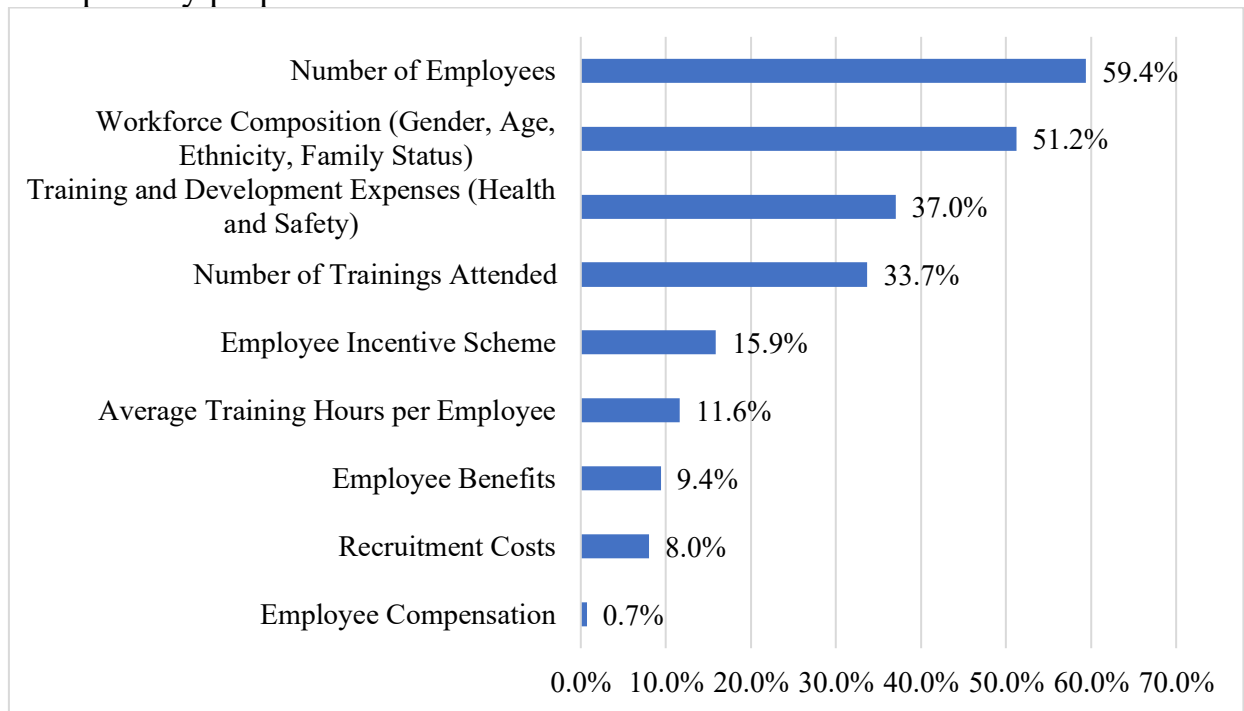


Fig. 1. Human Resource Input Indicators

Source: Compiled by the researchers based on the data [18]

According to the 11 output indicators of the integrated human capital reporting framework, only two indicators had a reporting rate over 10%: 16.5% of companies reported on the level of workplace accidents, and 10.2% disclosed productivity-related data. Notably, none of the companies reported the absenteeism rate, indicating a 0% reporting rate—an issue of concern. The generally poor reporting of output indicators suggests that implementation of these standards is still in the early stages.

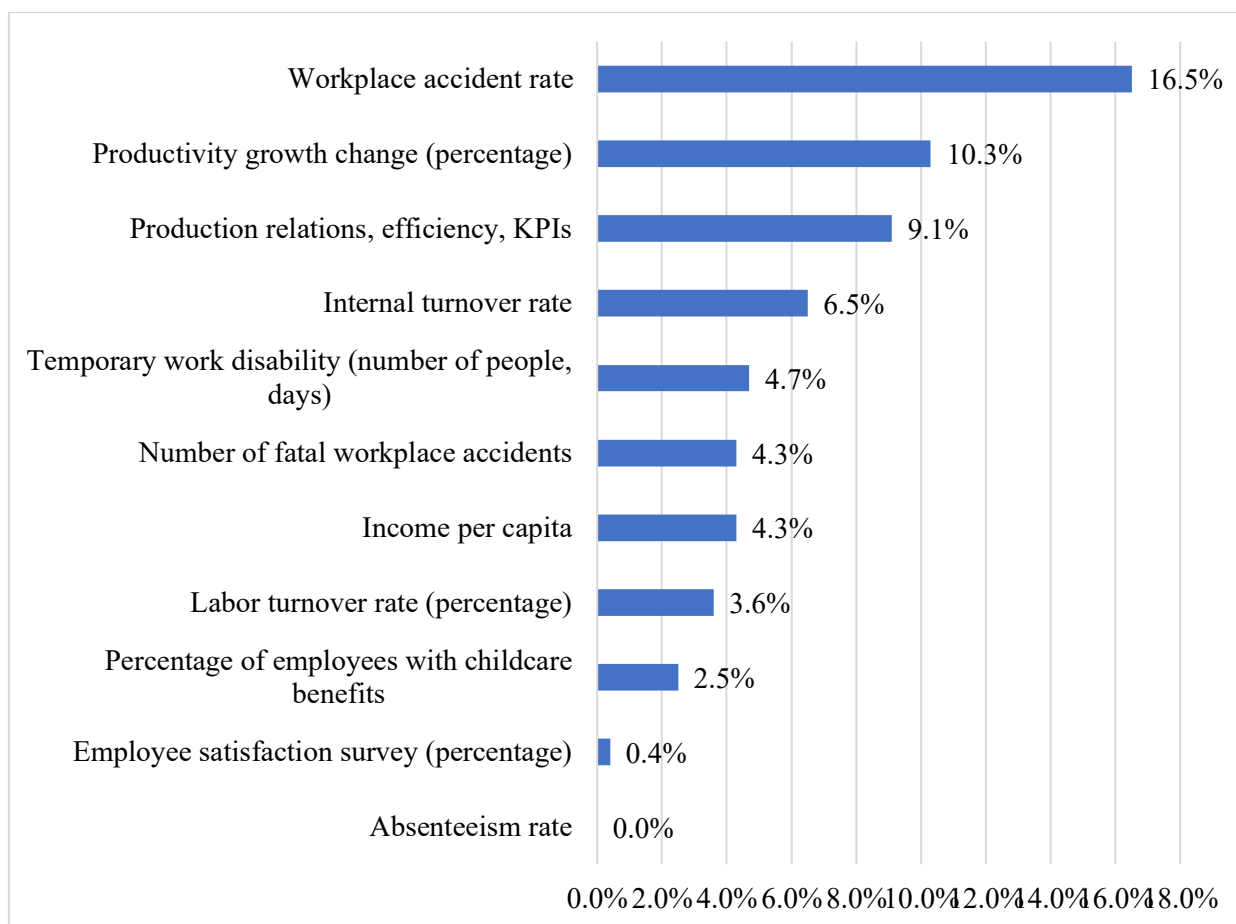


Fig. 2. Human Capital Output Indicators

Source: Compiled by the researchers based on the data [18]

From the evaluation of the 20 human capital indicators across 23 organizations: Among large enterprises, Gobi JSC reported 65% of input indicators, Golomt JSC 59%, and APU JSC 52%. Among small and medium enterprises, Ard Insurance JSC reported 33%, MIK Holding JSC 29%, Bogd Bank JSC 28%, and Invescore JSC 28%. Regarding output indicators:

– Among large enterprises, Gobi JSC reported 39%, APU JSC 24%, and Golomt JSC 15%

– Among SMEs, Ard Credit NBFJ JSC reported 6%, MIK Holding JSC 1%, and other companies showed even lower results.

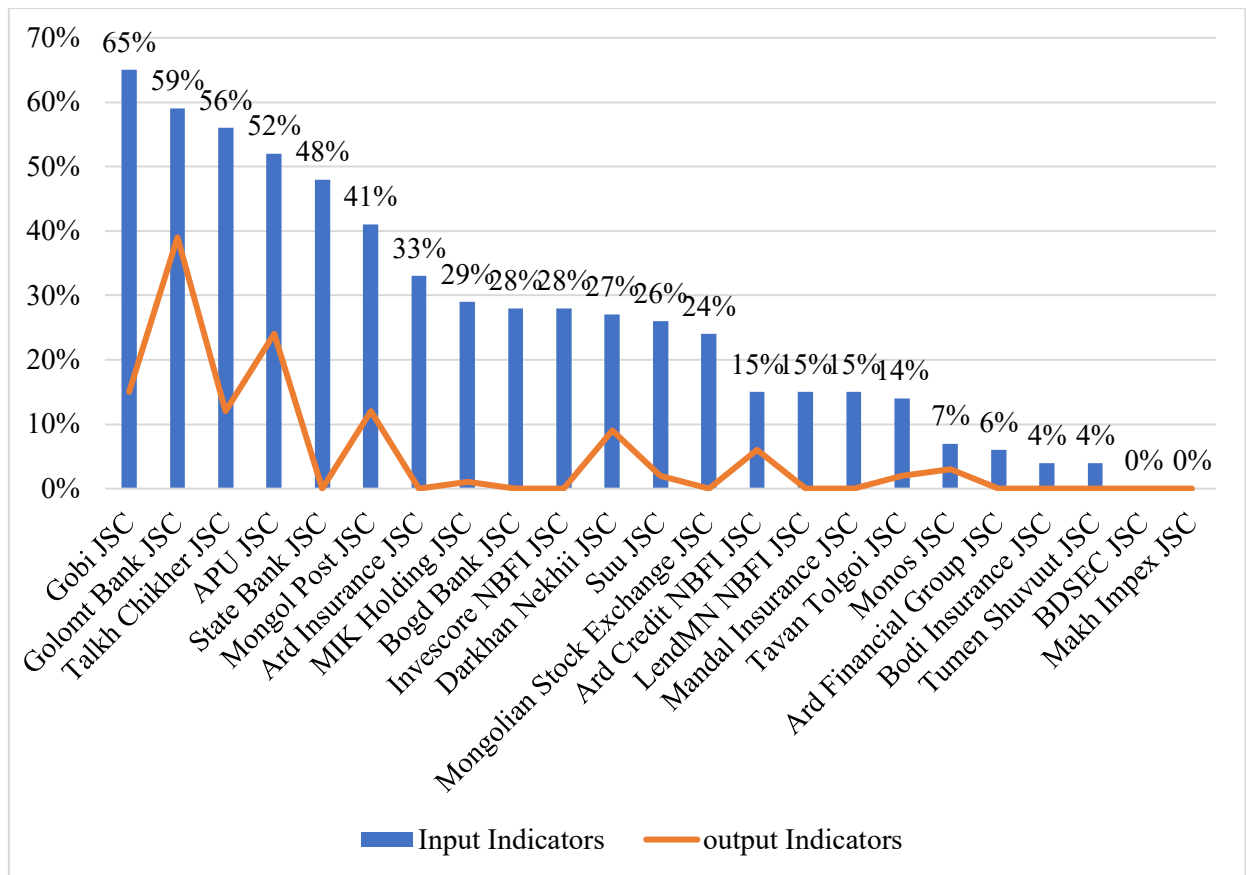


Fig. 3. Human Capital Value Report

Source: Compiled by the researchers based on the data [18]

The following conclusion can be drawn: human capital reporting among joint-stock companies in Mongolia is still at an early stage.

Conclusion

This study examined the transparency of human capital disclosure in the annual reports of 23 joint-stock companies listed on the Mongolian Stock Exchange from 2017 to 2022. The findings reveal several key insights:

1. Limited Disclosure Practices

Human capital reporting in Mongolia remains at an early stage of development. While basic input indicators (e.g., employee count, demographics) were moderately disclosed (59.4% and 51.2%, respectively), critical financial and performance metrics (e.g., compensation, turnover rates) were largely neglected (0.7–8%). Output indicators, such as workplace accidents (16.5%) and productivity (10.2%), also showed low transparency, with absenteeism rates entirely unreported (0%).

2. Sectoral and Size Disparities:

- Financial Sector: Demonstrated better input disclosure (e.g., Golomt Bank: 59%).
- Non-Financial Sector: Lagged in output reporting (e.g., MIK Holding: 1%).

- Large Firms: Outperformed SMEs in transparency, aligning with global trends.

3. Regulatory and Practical Gaps:

- The absence of mandatory reporting standards and weak alignment with international frameworks (e.g., ISO 30414, Integrated Reporting) hinder progress.
- Disclosures often lack depth, focusing on descriptive rather than actionable data.

4. Implications:

- For Companies: Enhanced human capital disclosure can improve stakeholder trust, attract investment, and align with SDG 8 (Decent Work).
- For Policymakers: Introduce regulations to standardize key metrics (e.g., training ROI, turnover) and incentivize best practices.

Recommendations:

- Adopt Global Standards: Implement frameworks like GRI or SASB for consistency.
- Capacity Building: Educate firms on the value of human capital transparency.
- Stakeholder Engagement: Tailor disclosures to investor and employee needs.

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