



The Role of Human Resource Accounting through Quality Costs in Improving Financial Performance Indicators in Companies Listed on the Palestine Exchange

دور محاسبة الموارد البشرية من خلال كلف النوعية في تحسين مؤشرات الأداء المالي في الشركات المدرجة في بورصة فلسطين

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Abstract

The research aimed to investigate the influence of human resource accounting, specifically focusing on costs related to employee recruitment, hiring, training, and development, as well as qualitative costs such as control and evaluation, on financial performance indicators like return on assets and return on equity in companies listed on the Palestine Stock Exchange. A quantitative descriptive approach was employed, using financial statement analysis for the years 2010-2023. The study encompassed all 49 listed companies, with the entire population serving as the sample. Stata 21 software was utilized to analyze the research hypotheses and questions. The study's primary findings underscored the significant impact that human resource accounting, including recruitment, hiring, training, and development costs, alongside qualitative costs such as control and evaluation, has on improving financial performance measures such as return on assets and return on equity in Palestine Stock Exchange-listed companies.

Keywords

Human Resource Accounting (HRA);
Quality Costs;
Return on Assets (ROA);
Return on Equity (ROE);
Financial Performance;

JEL Classification Codes : O15 ; D23

الكلمات المفتاحية

محاسبة الموارد البشرية؛ كلف النوعية؛ العائد على الأصول؛ العائد على حقوق الملكية؛ الأداء المالي.

المخلص

هدفت الدراسة للتعرف إلى دور محاسبة الموارد البشرية (تكاليف اختيار الموارد البشرية، تكاليف تعيين الموارد البشرية، تكاليف تدريب وتطوير الموارد البشرية) من خلال كلف النوعية (كلف الرقابة، كلف التقييم) في تحسين مؤشرات الأداء المالي (العائد على الأصول، العائد على حقوق الملكية) في الشركات المدرجة في بورصة فلسطين، ولتحقيق هدف الدراسة تم استخدام المنهج الوصفي الكمي من خلال الاعتماد على تحليل القوائم المالية للشركات المذكورة للسنوات (2010-2023)، وكان مجتمع الدراسة الشركات المدرجة في بورصة فلسطين وعددها (49) شركة، وتم اختيار عينة بلغ عددها (49) شركة من خلال المسح الشامل للمجتمع، واستخدم برنامج (Stata 21) لتحليل أسئلة وفرضيات الدراسة. وتوصلت الدراسة لعدة نتائج أهمها: يوجد دور مرتفع جداً لمحاسبة الموارد البشرية (تكاليف اختيار الموارد البشرية، تكاليف تعيين الموارد البشرية، تكاليف تدريب وتطوير الموارد البشرية) من خلال كلف النوعية (كلف الرقابة، كلف التقييم) في تحسين مؤشرات الأداء المالي (العائد على الأصول، العائد على حقوق الملكية) في الشركات المدرجة في بورصة فلسطين،

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I.INTRODUCTION:

Human resource accounting focuses on measuring and evaluating the worth of an organization's human capital by assigning financial values to the costs and returns related to its employees. It plays a vital role in guiding strategic choices concerning the planning and advancement of human resources. By applying this method, organizations can more effectively acknowledge the importance of their workforce, enhancing management strategies that support overall strategic goals and ensure sustainable development (Abu Hatab, 2022).

The financial function plays a central and strategic role within the framework of any organization, significantly contributing to the attainment of financial goals and the preservation of long-term stability and success. It is considered one of the core components in organizational operations, responsible for managing financial activities to maintain profitability and sound financial standing. This function also includes duties such as budgeting, financial analysis, managing liquidity, and preparing financial statements—all of which are essential for strengthening the financial performance of the organization (Sheta & Boumediene, 2023).

Quality-related costs, in the context of financial performance, represent the expenditures an organization incurs to guarantee and uphold the quality of its products or services. These expenses include efforts to prevent defects, evaluate quality standards, and correct mistakes when they occur. Effectively monitoring and controlling these costs enables organizations to elevate the quality of their offerings, achieve higher customer satisfaction, and streamline their operations. This cost management approach is regarded as a strategic means to enhance both the financial outcomes and operational efficiency of a business (Abdi, 2022).

Human resource accounting gains particular importance when linked to quality-related costs due to its impact on strengthening financial performance through employee training and development. Well-trained employees tend to perform their duties more accurately, which helps in reducing both internal and external costs associated with failures. Allocating resources to train staff on quality standards and preventive practices leads to fewer defects and elevates the quality of outputs. Through the efficient management of workforce-related and quality costs, organizations can enhance their financial resilience and support long-term sustainable growth (Mohamed, 2021).

This study explores how human resource accounting—especially when considering quality-related costs—affects the improvement of financial performance indicators in companies listed on the Palestine Exchange. Both elements, human resource accounting and quality costs, are essential for strengthening an organization's financial and managerial performance. Assessing expenditures linked to human capital and quality enables companies to realize significant gains in productivity, service or product quality, and overall profitability.

Research Problem and Questions:

In light of escalating economic and financial pressures, companies in Palestine are working to boost their financial outcomes and improve operational effectiveness through better management of their human capital. Human resource accounting serves as a key instrument in recognizing and evaluating the costs and returns associated with employees, contributing to enhanced quality and a reduction in costs tied to errors and inefficiencies.

Despite continued discussions surrounding the methods of measuring and reporting accounting information related to human resources—especially in the context of enhancing financial performance through quality costs and enriching financial disclosures to support decision-making—most financial statements issued by Palestinian companies do not incorporate this type of information. This indicates a focus on physical assets while neglecting human capital. Such

exclusion undermines the core objective of accounting, which is to deliver precise and trustworthy data to stakeholders, resulting in an incomplete and potentially misleading portrayal of the company's financial position.

In light of the above, the central research issue can be summarized by the following key question: What role does human resource accounting, through quality-related costs, play in enhancing financial performance indicators in companies listed on the Palestine Exchange?

This main question gives rise to several sub-questions:

How does measuring the costs of selecting human resources through quality costs impact financial performance indicators in companies listed on the Palestine Exchange?

How does measuring the costs of hiring human resources through quality costs influence financial performance indicators in companies listed on the Palestine Exchange?

How does measuring the costs of training and developing human resources through quality costs contribute to improving financial performance indicators in companies listed on the Palestine Exchange?

Importance of the Study:

The significance of this study arises from both its theoretical and practical dimensions, as outlined below:

First: Theoretical Importance:

1. This study highlights the vital contribution of human resource accounting to improving the financial outcomes of Palestinian companies by effectively controlling quality-related costs, underscoring the importance of examining these specific factors within the research.
2. The relevance of the study stems from its engagement with a contemporary accounting issue, as human resource accounting functions as a strategic management approach that offers meaningful insights into the value of human capital in Palestinian organizations.
3. Considering the pivotal role that human resources play in Palestinian firms—along with their experience, competencies, and the substantial investments involved in developing this workforce—it becomes essential to adopt tailored accounting methods that support and enhance organizational performance.

Second: Practical Importance:

1. This research presents a comprehensive view on applying human resource accounting approaches to assess and improve quality-related costs, contributing to greater operational efficiency, enhanced customer satisfaction, and stronger competitiveness among companies listed on the Palestine Exchange.
2. It highlights the need to disclose information regarding changes in the value of human resource services to external stakeholders, allowing them to make well-informed judgments about the operations and strategic direction of Palestinian companies, especially in areas related to human capital development.
3. The results of this study are anticipated to provide a solid foundation for future research exploring the subject from different angles and to deliver practical recommendations that clarify how human resource accounting, through the management of quality costs, can support the improvement of financial performance metrics in Palestine Exchange-listed firms.

Study Objectives:

The primary goal of this study is to examine the role of human resource accounting, specifically through quality-related costs, in enhancing financial performance indicators in companies listed on the Palestine Exchange. Additionally, the study seeks to achieve the following sub-goals:

1. To explore the impact of measuring the costs of human resource selection through quality costs on improving financial performance indicators in companies listed on the Palestine Exchange.

2. To investigate the role of measuring the costs of human resource hiring through quality costs in enhancing financial performance indicators in companies listed on the Palestine Exchange.

3. To assess the influence of measuring the costs of training and developing human resources through quality costs on improving financial performance indicators in companies listed on the Palestine Exchange.

Study Hypotheses:

The study aims to explore the following hypotheses:

Primary Hypothesis:

There is no statistically significant effect at the significance level ($\alpha \leq 0.05$) of human resource accounting, through quality-related costs, on enhancing financial performance indicators in companies listed on the Palestine Exchange.

Sub-Hypotheses:

There is no statistically significant effect at the significance level ($\alpha \leq 0.05$) of measuring the costs of selecting human resources through quality costs on enhancing financial performance indicators in companies listed on the Palestine Exchange.

There is no statistically significant relationship at the significance level ($\alpha \leq 0.05$) between measuring the costs of hiring human resources through quality costs and improving financial performance indicators in companies listed on the Palestine Exchange.

There is no statistically significant relationship at the significance level ($\alpha \leq 0.05$) between measuring the costs of training and developing human resources through quality costs and improving financial performance indicators in companies listed on the Palestine Exchange.

Study Limitations:

The study is constrained by the following limitations:

Temporal Limitation: The study covers the period from 2010 to 2023.

Spatial Limitation: The focus is on companies listed on the Palestine Exchange.

Subject Limitation: The research examines the role of human resource accounting through quality-related costs in enhancing financial performance indicators in companies listed on the Palestine Exchange.

Study Terms:

Human Resource Accounting: Human resource accounting involves measuring and evaluating the value of an organization's human capital, aiming to deliver both financial and non-financial insights about the costs and returns tied to employees. This information aids management in making sound decisions concerning human resource planning and development (Abdi, 2022). In practical terms, it encompasses calculating expenditures associated with recruitment, training, compensation, employee benefits, and assessing the overall return generated from investing in human resources.

Quality Costs: These costs represent the financial outlays a company undertakes to ensure the consistent quality of its goods or services. They cover actions taken to prevent defects, assess the quality of outputs, and resolve any problems that occur either prior to or following delivery to customers (Abu Hatab, 2022). From an operational standpoint, quality costs refer to the spending required to guarantee that products or services comply with established quality benchmarks.

Financial Performance Indicators: These are measurement tools used to evaluate a company's financial condition and performance during a specific timeframe. They play a key role in analyzing how effectively the company achieves its financial goals and provide a clear picture of its profitability, cash flow stability, operational effectiveness, and exposure to financial risks (Ziouch & Kendoz, 2021).

From a practical standpoint, financial performance indicators serve as fundamental instruments for assessing a company's financial well-being. They help in examining aspects such as efficiency, profitability, and liquidity, while also supporting both management and investors in making informed choices and formulating effective strategies for business growth and development.

Study Model:

To conduct the analysis of the relationships upon which the study is based, the measures for the different variables that constitute the study model were identified.

Figure 3.1 shows the details:

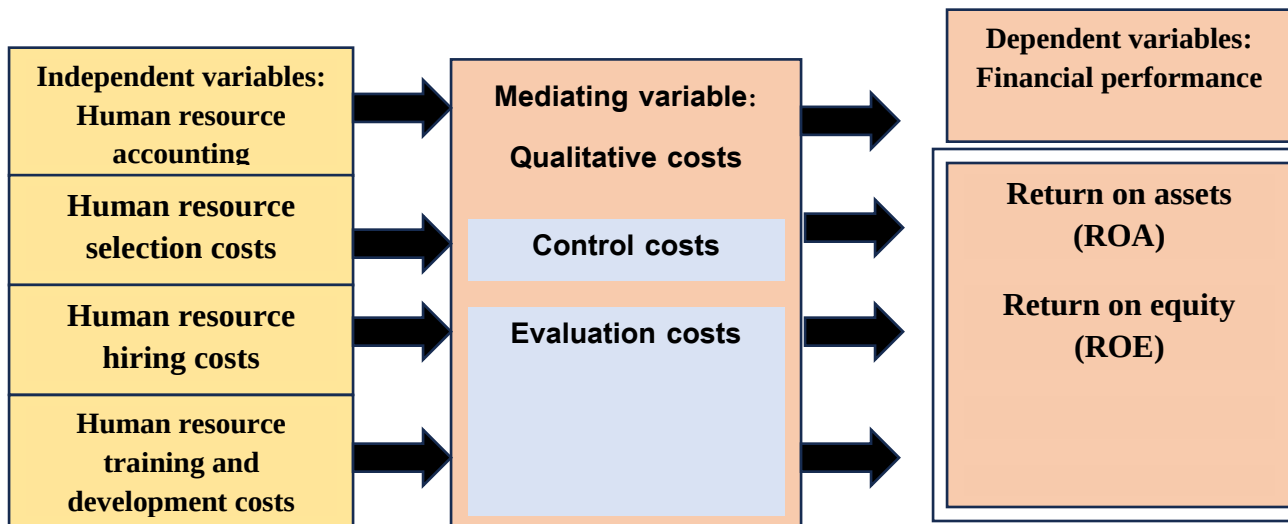


Figure 3.1: Study Model

Based on the above figure, we can formulate the following mathematical model :

$$Y_1 = B_1 X_1 + B_2 X_2 + B_3 X_3 + B_4 Z_1 + B_5 Z_2 + \varepsilon$$

$$Y_2 = B_1 X_1 + B_2 X_2 + B_3 X_3 + B_4 Z_1 + B_5 Z_2 + \varepsilon$$

Where:

Y: Dependent variables, which are financial performance.

Y1: The first dependent variable, Return on Assets (ROA).

Y2: The second dependent variable, Return on Equity (ROE).

X: Independent variables, which are human resource accounting.

X1: The first independent variable, human resource selection costs.

X2: The second independent variable, human resource hiring costs.

X3: The third independent variable, human resource training and development costs.

Z: Mediator variable, quality costs.

Z1: The first mediator variable, control costs.

Z2: The second mediator variable, evaluation costs.

II. THEORETICAL FRAMEWORK AND PREVIOUS STUDIES:

1. Human Resource Accounting

A. Definition of Human Resource Accounting:

In its 1973 publication, the Human Resource Accounting Committee of the American Accounting Association described human resource accounting as a method for recognizing, evaluating, and sharing data related to an organization's human capital with interested parties. This approach focuses on establishing and reporting the monetary worth of human resources to support informed decision-making and enrich the content of financial reports by incorporating aspects related to human capital (Yousef, 2023).

Davidson and Weil characterized human resource accounting as a broad concept that includes multiple approaches for disclosing information about human capital, highlighting its contribution to generating profits and expanding the organization's asset base. Meanwhile, Parch and Schwartz defined it as a structured system that considers employees as valuable assets, focusing on identifying the costs of investing in and utilizing human resources, and in certain cases, estimating and monitoring their economic value within the organization (Saidani, 2021).

Hayali described human resource accounting as the practice of evaluating the worth of human capital, acknowledging its importance within the accounting field, and analyzing how shifts in human resources impact their actual value. This data is then shared with stakeholders. The process involves treating individuals as key organizational assets by recording expenses related to recruitment, selection, employment, training, and professional development, in addition to assessing their financial contribution to the organization.

According to Salem (1999), human resource accounting serves as a means to assign measurable value to human capital through a range of applicable techniques and models. The outcomes of these assessments are shared with both internal and external stakeholders, aiming to create a balance between the costs incurred and the revenues generated (BouDerga & Lakhchine, 2020).

In essence, human resource accounting entails collecting, organizing, and analyzing information concerning an organization's workforce, assessing the value they generate in relation to the costs they incur, and effectively conveying this data to both internal and external stakeholders.

B. Elements of Human Resource Measurement:

Human resource accounting aims to evaluate and examine the expenses associated with managing an organization's workforce. The primary elements involved in measuring human resource accounting can be summarized as follows:

1. Costs of Selecting Human Resources:

These refer to the costs incurred in the process of sourcing and choosing suitable candidates for available roles within the organization. They include spending on job postings across various platforms such as websites, newspapers, and magazines, expenses associated with conducting

preliminary and final interviews, and payments made to recruitment firms for finding eligible applicants (Alon, 2020).

2. Costs of Hiring Human Resources:

These costs are associated with the recruitment and onboarding of new staff, covering a range of activities such as medical examinations and security clearance procedures, full health assessments for incoming employees, and the setup of workspaces—including computers, telephones, and office furniture. They also include expenses for supplying essential tools and equipment needed for the role, preparing employment agreements and legal paperwork, handling administrative documentation, and establishing employee files and entering them into the organizational system (Daham, 2022).

3. Costs of Training and Developing Human Resources:

These costs pertain to the education and skill development of employees to maintain their ongoing effectiveness and productivity. They include expenditures for designing and implementing internal training initiatives, compensating in-house trainers, covering fees for employee participation in external courses and workshops, purchasing or producing training resources such as manuals, books, and learning software, as well as costs associated with continuous professional development through conferences, seminars, and involvement in industry networks (Saidani, 2020).

In conclusion, human resource accounting supports the evaluation and analysis of costs related to attracting, employing, training, and enhancing the capabilities of staff. When these expenditures are managed effectively, organizations can improve workforce productivity and operational efficiency, ultimately leading to stronger financial outcomes.

2. Definition of Quality Costs:

Over the past six decades, the idea of quality costs has evolved, leading many organizations to realize substantial savings by examining these expenses and understanding how they relate to production and sales costs. As defined by British standards, quality costs represent the expenditures required to achieve and maintain quality, along with the losses and inefficiencies that arise when quality requirements are not fulfilled.

Quality costs refer to the expenditures associated with avoiding defects or addressing problems related to products or services that do not initially meet the required quality standards. These costs arise when there is a failure to achieve the desired quality level from the outset (Enyi et al., 2022).

Quality costs refer to the financial resources spent to maintain and guarantee the quality of products or services. These costs are generally divided into four main categories: prevention costs, which involve measures taken to avoid defects, such as staff training and improving production processes; appraisal costs, which relate to examining and testing products or services to verify they meet quality standards; internal failure costs, which result from detecting defects before delivery to customers, including costs of rework or material waste; and external failure costs, which emerge when issues are identified after the product or service has been delivered, such as returns, warranty claims, and harm to the company's reputation (Kumar, 2022).

In summary, quality costs refer to the amounts spent to avoid defects in a company's products, as well as the expenses resulting from the production of items that do not meet the necessary standards and must therefore be corrected or reworked.

3. Financial Performance:

A. Definition of Financial Performance:

Financial performance refers to the process of assessing an organization's financial status to determine its ability to generate value in the future. This evaluation is typically based on tools such as budgets, income statements, and various financial reports and schedules (Al-Juwaili, 2023).

It is also defined as the extent to which an organization succeeds in producing income and achieving profits. Income generation reflects the capability to earn revenue from regular operations, investments, or extraordinary events, while profit generation indicates the ability to realize a financial surplus from these activities. Additionally, some view financial performance as the organization's capacity to sustain a financial buffer that shields it from potential crises or insolvency (Al-Madhoun, 2019).

Financial performance depends on key financial indicators to evaluate the extent to which a company achieves its goals, reflecting its overall success. It plays a vital role in guiding business operations by supplying the necessary financial means and creating investment possibilities across multiple departments, thereby aligning with the interests and expectations of stakeholders (Kaaour & Ghamarani, 2023).

In conclusion, financial performance reflects the attainment of financial goals that enable an organization to sustain a buffer against potential future risks and uncertainties. It serves a vital function within companies by providing a reliable and detailed framework for comparing real outcomes with planned targets, thereby facilitating the detection of any discrepancies.

B. Financial Performance Indicators:

Numerous financial indicators are utilized to assess a company's financial performance, including:

1.Liquidity Ratios: These indicators evaluate a company's capacity to meet its short-term financial commitments using existing assets, without relying on external financing. Common examples include the current ratio, quick ratio, and cash ratio (Al-Juwaili, 2023).

2.Debt Ratios: These metrics reflect the extent to which a company depends on external sources of funding. Typical examples include the debt-to-equity ratio and the total debt ratio (Ahmed, 2023).

3.Activity Ratios: These metrics evaluate how effectively a company uses its available resources. Common examples include the inventory turnover ratio and the receivables turnover ratio (Al-Zaabi et al., 2022).

4.Profitability Ratios: These indicators show how well a company can earn profits from its revenue. Examples include return on investment and net profit margin (Abbas, 2020).

5.Market Ratios: These metrics offer an understanding of a company's market value by examining its stock price in relation to the number of shares traded. Common examples include the price-to-earnings ratio and earnings per share.

In conclusion, financial ratios serve as vital instruments in financial evaluation, as they express the relationship between two financial elements in a way that enhances clarity and interpretation. Their significance lies in their ability to support meaningful comparisons between different variables, and for the most effective use, these ratios should be analyzed collectively.

4. The Role of Human Resource Accounting in Improving Financial Performance Indicators:

Human resource accounting contributes significantly to improving financial performance metrics by integrating quality-related costs, and it encompasses several essential elements:

1.Improving Employee Performance: Improving employee performance requires allocating resources to hiring and training efforts. Through the analysis of quality-related costs, human resource accounting can help determine the financial implications of each phase in these activities, ensuring optimal use of available resources (Lee, 2020).

2.Employee Retention: Keeping existing employees is far less costly than recruiting new ones. By examining quality-related costs, accountants can assess the financial impact of employee retention and develop effective approaches to minimize turnover, leading to greater operational consistency.

3.Enhancing Productivity: A supportive workplace and opportunities for professional growth contribute to higher employee productivity and performance. By evaluating quality-related costs, accountants can measure the benefits gained from such initiatives and make more efficient decisions regarding resource allocation (BouDerga & Lakhchine, 2020).

4.Managing Absenteeism and Leaves: Employee absenteeism and time off have a direct effect on a company's financial performance. Through the examination of quality-related costs, organizations can quantify the financial burden caused by absenteeism and develop effective measures to control and minimize it (Briza & Hassani, 2022).

5.Strategic Decision-Making: Human resource accountants deliver detailed analyses and reports that support strategic decisions, including forecasting future workforce requirements and refining salary and benefits systems to enhance efficiency (Alon, 2020).

In summary, integrating quality-related costs into human resource accounting enables organizations to strengthen financial planning and more effectively reach their goals through targeted investments in managing and developing human capital. This approach enhances financial performance indicators by evaluating financial information linked to employees and administrative functions.

5. Previous Studies:

There are several previous studies on this topic as follows:

A. First: Arabic Studies:

Study by Youssef (2023) titled "The Impact of Applying Human Resource Accounting on Financial Performance Efficiency: A Field Study on a Sample of Telecom Companies in Khartoum State, Sudan":

This study set out to explore the benefits of applying human resource accounting and its impact on improving the efficiency of financial performance within Sudanese telecommunications companies—an issue of particular relevance to decision-makers. The analysis of the collected data led to several important conclusions, most notably that participants showed strong belief in the positive influence of adopting human resource accounting practices on financial performance, particularly in areas such as measurement accuracy, fair presentation, and reporting. These

improvements would, in turn, offer decision-makers reliable and relevant financial insights. The research recommended increasing awareness among accountants and auditors in Sudanese telecom firms about the value of human resource accounting, to better equip them in accurately assessing and reporting the costs and returns associated with investments in human capital.

Study by Al-Bashir (2022) titled "The Impact of Human Resource Accounting on Improving Financial Performance in Sudanese Industrial Enterprises: A Field Study on a Sample of Industrial Companies in Sudan": The research focused on exploring the role of human resource accounting in strengthening financial performance across Sudanese industrial enterprises, with the goal of promoting its adoption to improve financial outcomes. The results indicated that evaluating human capital through accounting practices plays a significant role in boosting financial performance in these companies, and that investing in human resources has a positive effect on financial progress. Among the key recommendations was the need to give increased attention to the human component, both within individual industrial firms and at the national level, by assessing its associated costs and projecting its future economic contribution.

Study by Ben Tareef (2022) titled "The Impact of Applying Human Resource Accounting on Improving Financial Performance Efficiency in Banks Operating in Jordan": The study aimed to evaluate the impact of human resource accounting on improving the efficiency of financial performance in Jordanian banks during the period between 2014 and 2018. The results showed that human resource accounting plays a role in influencing financial outcomes in these banks. The research examined the effect of the value of human resource services on each financial performance indicator individually, finding that these services had a significant influence on all indicators, except for the market value to book value ratio, which showed no meaningful impact. Based on these findings, the study recommended that banks listed on the Amman Stock Exchange give greater attention to human resource accounting due to its substantial effect on their financial performance.

Study by Al-Madhoun (2019) titled "Application of Human Resource Accounting in Commercial Banks in Palestine: A Field Study": This study set out to investigate the drivers, foundational principles, and implementation guidelines of human resource accounting within commercial banks, as well as its influence on financial performance and the obstacles limiting its application. The results identified multiple factors encouraging the adoption of human resource accounting in the banking sector, such as its contribution to building a unified information system that bridges administrative and accounting roles, the high expenses associated with recruiting, hiring, and training employees, and the growth of banking activities alongside the launch of services that rely extensively on human capital.

B. Second: Foreign Studies:

Study by Kumar (2022) titled "The Determinants of Disclosures of Indian Firms": This research aimed to examine the scope, influencing factors, and extent of human resource (human capital) disclosures among a sample of 97 publicly traded companies in India. The findings from the multiple regression analysis indicated that both company size and the proportion of employee-related costs to total operating expenses had a significant positive impact on the level of human

resource disclosures. In contrast, variables such as globalization, company age, profitability, ownership structure, organizational complexity, and the reputation of the auditing firm showed no notable effect on the extent of human resource leverage disclosure. The study recommended the adoption of appropriate policies and regulatory frameworks to support the consistent and thorough application of human resource accounting across all related practices.

Study by Enyi & Akindehinde (2022) titled "Human Resource Accounting and Decision Making in a Post-Industrial Economy": The objective of this study was to evaluate how human resource accounting may impact decision-making processes and contribute to improved financial performance. Considering that companies in the industrial sector operate in a highly competitive setting that demands swift and effective decisions to maintain success and sustainability, the researcher concluded that acknowledging the worth of human capital is vital for enhancing financial outcomes. This value should be represented in financial reports as intangible assets, much like goodwill. A central recommendation of the study was to adopt this approach as a foundational strategy for aligning business objectives with relevant organizational data.

Study by Sharm & Kumar (2021) titled "A Comparative Study of Human Resource Disclosure and Reporting Practices of Selected Public and Private Sector Banks in India": The purpose of this study was to examine and contrast how public and private sector banks report and disclose information about human resources in their financial statements. Human resource accounting focuses on recognizing, quantifying, and sharing information about an organization's workforce with relevant stakeholders. Human resource disclosure involves presenting details about the organization's investment in its human capital—an area often overlooked in conventional accounting systems. The results revealed that public sector banks offered more comprehensive disclosures regarding human resource practices than their private counterparts. Moreover, public banks included certain qualitative insights about human capital that were absent in the reporting of private sector banks.

C. Third: Commentary on Previous Studies:

The present study exhibits several points of similarity with earlier research, most notably the following:

1. Both this study and earlier works have focused on elements of human resource accounting, including the processes of recruitment, selection, training, and development of employees. Notable examples include the studies conducted by Youssef (2023), Ben Tareef (2022), and Kumar (2022), all of which explored the link between human resource accounting and financial performance.
2. Like many previous investigations, this study adopted the descriptive correlational research design. This methodological approach was also utilized in studies by Enyi and Akindehinde (2022), Al-Bashir (2022), and Al-Madhoun (2019), where data was primarily collected through structured questionnaires.
3. Both the current research and prior international studies addressed the relationship between human resource accounting and financial outcomes, as demonstrated in the work of Enyi and Akindehinde (2022) and Kumar (2022).

The current study differs from previous research in the following ways:

1. Although this study focuses specifically on topics related to human resource accounting, previous research addressed different dimensions, including various methods for valuing human resources—such as historical cost, replacement cost, standard cost, and economic value approaches—as discussed in the works of Sharma & Kumar (2021) and Ben Tareef (2022).
2. Methodologically, the current study differs from some earlier research. While it utilizes a descriptive correlational approach, other studies adopted alternative methods, such as quantitative analysis of time-series data spanning multiple years, as demonstrated in Ben Tareef's (2022) study.
3. This study centers on industrial companies in Palestine, whereas prior research was conducted in different sectors and regions. For instance, Youssef (2023) examined telecom companies in Khartoum State, while Ben Tareef (2022) focused on banking institutions in Jordan.

The current study sets itself apart from previous research in the following ways:

1. As far as the researcher is aware, this study is one of the earliest attempts to examine the connection between human resource accounting and financial performance indicators, offering a useful foundation for future researchers and professionals in the field.
2. The study was carried out in Palestine, a nation with distinct social, political, and economic circumstances, which sets its context apart from that of other related research.

III.METHOD AND PROCEDURES:

Study Methodology:

Given the focus of the research and the nature of the data under investigation, a quantitative analytical approach was adopted. Below is a thorough and independent description of the methodology employed in this study:

1.Quantitative Methodology:

This method is employed to determine the relationship between an independent variable, which represents a certain phenomenon or concept, and a dependent variable within a defined population. Quantitative research can be either descriptive, assessing the sample at a specific point in time, or experimental, comparing data before and after the study. This approach prioritizes numerical data, objectivity, and logical reasoning, emphasizing fixed and consistent data along with convergent thinking, rather than divergent thinking.

2.Analytical Methodology:

The analytical approach provides an accurate numerical depiction, clarifying the phenomenon, its extent, and its connection with other variables. It explores the relationships between variables and measures the strength of these connections using quantitative data. Data is gathered, organized, and analyzed through quantitative methods. This analysis will examine how human resource accounting, specifically through the lens of quality costs, influences the financial performance indicators of companies listed on the Palestine Exchange.

Study Population:

The population for this study includes all companies listed on the Palestine Exchange, a total of 49 companies, divided into the following sectors:

Table 3.1: Number of Companies Listed on the Palestine Exchange According to 2024

Statistics		
Economic Sector	Number of Companies	Percentage (%)
Banks	7	14.3
Investment Companies	10	20.4
Industrial Companies	13	26.6
Insurance Companies	8	16.3
Service Companies	11	22.4
Total	49	%100

Source: Palestine Exchange Website, 2024

Study Sample:

The study sample consisted of all 49 companies listed on the Palestine Exchange, selected through a comprehensive survey. This sample included the financial statements of these companies covering the period from 2010 to 2023. These companies were chosen because they regularly publish financial statements during the study period, are active participants in the Palestine Exchange, and their number is adequate for the study, allowing for the generalization of findings to the entire population. The period from 2010 to 2023 was selected due to the availability of reliable and accurate data, and it is considered a period of significant financial performance growth in Palestine.

Data and Information Sources:

The required data for developing the theoretical framework and conducting the statistical analysis will be gathered from secondary sources, outlined as follows:

1.Theoretical Aspect: Data for the theoretical framework will be sourced from Arabic and foreign books, references, master's theses, articles, research papers published in academic journals, and other online resources.

2.Practical Aspect: Data for the practical analysis will be collected from the published financial statements of companies listed on the Palestine Exchange for the years 2010 to 2023, to assess the relationship between the independent and dependent variables. These reports were obtained from the Palestine Exchange website.

Study Variables and Measurement Mechanism:

To perform the analysis of the relationships central to the study, the metrics for the various variables that form the basis of the study model were established. Detailed information is presented in Table 3.2:

Table 3.2: Summary of Study Variables and Measurement Method

Variable	Measurement Method	Previous Studies Using This Measure
Independent Variables: Human Resource Accounting		
Human Resource Selection Costs	Selection costs from the income statement notes	(Abdi, 2022)

Human Resource Hiring Costs	Hiring costs from the income statement notes	(Sharm, Kumar, 2021)
Human Resource Training and Development Costs	Training and development costs from the income statement notes	(Youssef, 2023)
Dependent Variable: Financial Performance		
Return on Assets (ROA)	Profit after interest and tax / Total assets	(Youssef, 2023)
Return on Equity (ROE)	Profit after interest and tax / Equity	(Youssef, 2023)
Mediator Variable: Quality Costs		
Control Costs	Control costs from the income statement notes	(Sharm, Kumar, 2021)
Evaluation Costs	Evaluation costs from the income statement notes	(Sharm, Kumar, 2021)

Statistical Processing:

For the analysis, panel data was used in this study, as it reflects a series of observations about the phenomenon being analyzed across a group of units over several years. To ensure the proper execution of the statistical analysis, the following processes were performed:

1. Calculation of the Mean and Median.
2. Analysis of Skewness and Kurtosis indicators.
3. Use of the Pearson Correlation Coefficient.
4. Application of the Variance Inflation Factor (VIF) test to detect potential multicollinearity in the study model.
5. Conducting a Normality Test.
6. Performing Ordinary Least Squares (OLS) regression analysis, along with the Fixed-effects and Random-effects methods.

IV.STUDY RESULTS (ANALYSIS AND DISCUSSION) :

Statistical Description of Study Data:

Financial data was collected for the banks operating in Palestine and listed on the Palestine Exchange. Using the EViews software, the study produced the following results:

Table 4.1: Descriptive Analysis Results of Study Variables

Statistical Description	Number of Observations	Mean	Standard Deviation	Maximum Value	Minimum Value
Human Resource Selection Costs	544	0.6113	0.3136	12365	3425
Human Resource Hiring Costs	544	0.1254	0.1022	10236	2478
Human Resource Training and Development Costs	544	5.4471	3.5842	30362	10258
Return on Assets	544	0.6485	0.4816	0.1670	0.004
Return on Equity	544	0.6428	0.4815	0.2631	0.001
Control Costs	544	0.4253	0.2366	11265	3654
Evaluation Costs	544	0.2584	0.0147	15324	2471

The table above displays the descriptive statistics for the study's data, including the mean, standard deviation, as well as the maximum and minimum values for both the independent and dependent variables. A total of 544 observations were recorded across all variables. The mean for the dependent variable, financial performance, was 0.6485 for Return on Assets, with a standard deviation of 0.4816, and 0.6428 for Return on Equity, with a standard deviation of 0.4815. Among the independent variables related to human resource accounting, the highest mean value was found for Human Resource Training and Development Costs, which had a mean of 5.4471 and a standard deviation of 3.5842. This value reflects the sample size multiplied by the number of years covered in the study period. Detailed descriptive statistics for the other dependent and independent variables are shown in the table above.

Regarding skewness and kurtosis, all indicators were found to be appropriate for the study, as shown in the table below:

Table 4.2: Skewness and Kurtosis Indicators for Study Variables

Statistical Description	skewness	kurtosis
Human Resource Selection Costs	0.2090	1.8217
Human Resource Hiring Costs	0.4850	1.7232

Human Resource Training and Development Costs	2.8030	2.0301
Return on Assets	0.5962	1.3555
Return on Equity	0.5960	1.3566
Control Costs	0.4255	2.3489
Evaluation Costs	1.2533	1.2148

Skewness describes the level of asymmetry in a data distribution. Positive skewness is indicated by a longer right tail, while negative skewness is marked by a longer left tail. Kurtosis evaluates the sharpness or flatness of the distribution curve compared to a normal distribution. Generally, skewness should be below 7% and kurtosis below 3%. Since the skewness and kurtosis values

Statistical Methods Used in the Study:

A quantitative analytical statistical method was employed to characterize the study variables by defining the statistical measures for each one. An econometric approach was used to evaluate the effect of the independent variable on the dependent variable, with EViews software utilized for measurement and estimation. Three models were examined:

1. Ordinary Least Squares (OLS) Model
2. Fixed Effects Model
3. Random Effects Model

To identify the most suitable model for the data, providing accurate results, the Hausman test was employed, as explained below.

Results of Data Suitability for Hypothesis Testing:

The Durbin-Watson (DW) test was performed to detect autocorrelation, which refers to the dependence of errors. The DW statistic ranges from 0 to 4, where values near 0 indicate positive autocorrelation, values close to 4 suggest negative autocorrelation, and values near 2 imply no autocorrelation. In this model, the DW statistic was 1.81, indicating the absence of autocorrelation. Additionally, all autocorrelation and partial autocorrelation coefficients were found to be insignificant, further supporting the conclusion that there is no autocorrelation among the study variables.

To assess multicollinearity (the extent of high correlation between independent variables), the Variance Inflation Factor (VIF) test was conducted. The average VIF value was 2.11, which is below the threshold of 5. Furthermore, none of the independent variables had a VIF exceeding 5, suggesting that multicollinearity does not pose an issue and confirming the robustness of the model.

The normality of the study variables was assessed using the Jarque-Bera test, which yielded a value of 3.0154 with a P-value of 0.432, exceeding 0.05. This supports the acceptance of the null hypothesis, indicating that the study variables follow a normal distribution.

Correlation Coefficient:

The Pearson Correlation Coefficient was used to assess the nature and strength of the relationships between the study variables. The detailed results are presented in the following table:

Table 4.3: Correlation Matrix Results for Study Variables

Variable	Symbol	Y1	Y2	X1	X2	X3	Z1	Z2
Human Resource Selection Costs	Y1	1						
Human Resource Hiring Costs	Y2	0.3778	1					
Human Resource Training and Development Costs	X1	0.0452	0.0396	1				
Return on Assets	X2	0.0295	0.0163	*0.8526	1			
Return on Equity	X3	0.0262	0.0904	*0.3044	0.0076	1		
Control Costs	Z1	0.1250	0.1368	0.4236	0.1496	0.2190	1	
Evaluation Costs	Z2	0.2415	0.1796	0.3598	0.1368	0.4630	0.5471	1

*Statistically significant at the significance level ($\alpha = 0.05$)

The table above presents the correlation between the study variables. The correlation coefficient indicates both the direction and the strength of the relationships among the variables. A very strong correlation could signal a multicollinearity problem. In this study, the correlation between all variables is positive.

Regression Model:

Ordinary Least Squares (OLS) Method:

Table 4.4: OLS Regression Model Estimation Results

Variable	Coefficient	Std. Error	t- statistic	Prob.
Human Resource Selection Costs	0.0214	0.0329	0.65	0.004
Human Resource Hiring Costs	-0.1643	0.3583	0.46	0.003
Human Resource Training and Development Costs	0.2895	0.4907	0.59	0.001
Return on Assets	0.5869	0.1229	0.77	0.000
Return on Equity	0.4586	0.2541	0.68	0.004
Control Costs	0.6325	0.3589	0.41	0.002

Evaluation Costs	0.1452	0.1632	0.39	0.003
R-Square= 0.60, adjusted R-Square= 0.25, DW = 0.33, F-statistics= 9.32, Prob (F)= 0.00				

***Statistically significant at the significance level ($\alpha = 0.05$)**

The previous results reveal a statistically significant relationship between the independent variable, Human Resource Accounting (comprising Human Resource Selection Costs, Hiring Costs, and Training and Development Costs), and the dependent variables, financial performance as measured by Return on Assets (ROA) and Return on Equity (ROE). This relationship is mediated by Quality Costs, which include Control and Evaluation Costs, both of which also exhibited a statistical effect. The significance level for all independent and dependent variables is below 5%, as shown in the last column of the table, confirming that the relationship is statistically significant at the 0.05 level. This emphasizes the role of the independent variables in explaining variations in financial performance for companies listed on the Palestine Exchange. Additionally, the Adjusted R-Square value was 0.25, indicating that the independent variables explain 25% of the variation in the dependent variable. The F-value of 9.32, with significant probability, further confirms that the independent variables collectively account for a significant portion of the variation in financial performance.

Fixed Effects Model:

Table 4.5: Fixed Effects Model Estimation Results

Variable	Coefficient	Std. Error	t- statistic	Prob.
Human Resource Selection Costs	0.0125	0.0214	0.16	0.002
Human Resource Hiring Costs	0.1326	0.0325	1.32	0.001
Human Resource Training and Development Costs	0.0112	0.0438	0.44	0.001
Return on Assets	0.0431	0.0257	0.52	0.003
Return on Equity	0.3652	0.1241	6.28	0.003
Control Costs	0.0351	0.1362	0.26	0.001
Evaluation Costs	0.0574	0.1047	0.49	0.001
R-Square= 4.36, adjusted R-Square= 0.67, DW = 0.52, F-statistics= 8.26, Prob (F)= 0.00				

***Statistically significant at the significance level ($\alpha = 0.05$)**

The results reveal a statistically significant connection between the independent variable, Human Resource Accounting—which encompasses Human Resource Selection Costs, Hiring Costs, and Training and Development Costs—and the dependent variables of financial performance, specifically Return on Assets (ROA) and Return on Equity (ROE). This relationship is further mediated by the variable Quality Costs, which includes Control Costs and Evaluation Costs, both of which also showed a statistical effect. With the significance level for all variables (independent and dependent) being below 5%, as indicated in the last column of the table, the findings confirm a statistically significant relationship for all independent variables at the 0.05 significance level. This clearly emphasizes the contribution of these independent variables in explaining variations in the dependent variable, financial performance, for companies listed on the Palestine Exchange.

Moreover, the results show that the Adjusted R-Square value is 0.67, suggesting that the independent variables collectively account for 67% of the variation in the dependent variable. The F-value of 8.26, with significant probability, further indicates that the independent variables collectively explain a substantial portion of the variation in financial performance.

Random Effects Model:

Table 4.6: Random Effects Model Estimation Results

Variable	Coefficient	Std. Error	t- statistic	Prob.
Human Resource Selection Costs	0.6589	0.6396	0.65	0.003
Human Resource Hiring Costs	0.1365	0.3478	0.23	0.001
Human Resource Training and Development Costs	0.4547	0.1130	4.78	0.000
Return on Assets	0.4639	0.4125	0.74	0.004
Return on Equity	0.0523	0.4638	0.74	0.001
Control Costs	0.1074	0.2030	0.46	0.002
Evaluation Costs	0.2145	0.2470	0.37	0.003
R-Square= 6.85, adjusted R-Square= 0.84, DW = 0.51 F-statistics= 7.22, Prob (F)= 0.00				

***Statistically significant at the significance level ($\alpha = 0.05$)**

The results demonstrate a statistically significant relationship between the independent variable, Human Resource Accounting—which includes Human Resource Selection Costs, Hiring Costs, and Training and Development Costs—and the dependent variables of financial performance, specifically Return on Assets (ROA) and Return on Equity (ROE). This relationship is influenced by Quality Costs, which consist of Control and Evaluation Costs, both of which also had a statistical effect. With the significance level for all variables, both independent and dependent, being below 5%, as indicated in the last column of the table, the results confirm a statistically

significant relationship for all independent variables at the 0.05 significance level. This underscores the contribution of these variables in explaining variations in financial performance for companies listed on the Palestine Exchange.

The Adjusted R-Square value was 0.84, indicating that the independent variables collectively account for 84% of the variation in the dependent variable. The F-value was 7.22, with a significant probability, suggesting that the independent variables explain a substantial portion of the variation in financial performance.

To determine the most suitable model for the study data, the coefficient of determination is typically used to compare different econometric models based on how well they fit the data. However, it is not sufficient to rely solely on the coefficient of determination since its calculation differs across models. Therefore, the Hausman test was conducted to compare the Fixed Effects Model and the Random Effects Model. The results were as follows:

Table 4.7: Hausman Test Results for the Best-Fitting Model

Test	Test Value	P-Value
Hausman test	73.25	0.000

The table above indicates that the test's significance value was 0.000, which is below the 0.05 threshold, confirming the test's significance. With the significance level set below 5%, as shown in the last column of the table, it suggests that the Fixed Effects Model is more suitable than the Random Effects Model. Therefore, the Fixed Effects Model will be used to examine the relationship between the study variables.

Study Questions and Hypotheses Testing:

Based on the above, the study hypotheses will be tested according to the optimal model, which is the Fixed Effects Model. This model will be relied upon to interpret the relationships under study as follows:

First Study Question: What is the role of human resource selection costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange?

From the first study question, the first hypothesis emerges, stating that there is no statistically significant effect at the significance level ($\alpha \leq 0.05$) for the role of human resource selection costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange.

Based on the results of Table 4.4, it is clear that the significance level value (0.002) is less than the significance level (0.05), and therefore, we reject the null hypothesis and accept the alternative hypothesis, which states: There is a statistically significant effect at the significance level ($\alpha \leq 0.05$) for the role of human resource selection costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange.

Second Study Question: What is the role of human resource hiring costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange?

From the second study question, the second hypothesis emerges, stating that there is no statistically significant effect at the significance level ($\alpha \leq 0.05$) for the role of human resource

hiring costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange.

Based on the results of Table 4.4, it is clear that the significance level value (0.001) is less than the significance level (0.05), and therefore, we reject the null hypothesis and accept the alternative hypothesis, which states: There is a statistically significant effect at the significance level ($\alpha \leq 0.05$) for the role of human resource hiring costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange.

Third Study Question: What is the role of human resource training and development costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange?

From the third study question, the third hypothesis emerges, stating that there is no statistically significant effect at the significance level ($\alpha \leq 0.05$) for the role of human resource training and development costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange.

Based on the results of Table 4.4, it is clear that the significance level value (0.001) is less than the significance level (0.05), and therefore, we reject the null hypothesis and accept the alternative hypothesis, which states: There is a statistically significant effect at the significance level ($\alpha \leq 0.05$) for the role of human resource training and development costs through quality costs in improving financial performance indicators in companies listed on the Palestine Exchange.

V.CONCLUSION:

Results:

Following the presentation of the statistical analysis results, the study reached the following conclusions:

1. **Crucial Role of Human Resource Selection Costs:** Human resource selection costs, through quality costs, significantly contribute to enhancing financial performance indicators in companies listed on the Palestine Exchange. This is due to the fact that human resource management determines the costs associated with screening and evaluating candidates during the selection process. Companies also account for employee retention costs across various positions and job advertisement expenses using advanced accounting techniques. This aligns with the findings of Al-Bashir (2022) and Ben Tareef (2022), which highlighted that evaluating human resource selection costs relative to expected returns helps companies assess the effectiveness of their selection processes in achieving financial goals.
2. **Crucial Role of Human Resource Hiring Costs:** Human resource hiring costs, through quality costs, play a significant role in improving financial performance indicators in companies listed on the Palestine Exchange. This is explained by companies identifying various testing costs in the hiring process, determining the total expenses for each hiring case, and accounting for the time spent interviewing current employees using accounting methods that comply with international standards. This is consistent with the findings of Youssef (2023) and Ben Tareef (2022), which showed that companies assess hiring costs against expected returns, such as increased productivity, reduced training costs, better customer satisfaction, and return on investment in hiring decisions to evaluate investment efficiency in this area.

3. Crucial Role of Human Resource Training and Development Costs: Human resource training and development costs, through quality costs, have a significant impact on improving financial performance indicators in companies listed on the Palestine Exchange. This is because companies assess the expected return on investment in training programs and skill development, comparing it to anticipated costs. Companies also account for the time costs involved in preparing and organizing training programs, as well as the travel and accommodation expenses for employees participating in these programs. This finding aligns with the work of Al-Madhoun (2019) and Sharm & Kumar (2021), which emphasized that measuring both direct and indirect costs of training, including trainer fees, educational materials, time spent on training, and productivity losses, as well as compensating employees participating in training, is crucial for evaluating the efficiency of training investments.

4. Crucial Role of Human Resource Accounting through Quality Costs: Human resource accounting, through quality costs, plays a significant role in improving financial performance indicators in companies listed on the Palestine Exchange. This is because companies can easily determine the direct costs related to human resource selection and hiring. Additionally, modern accounting methods are used to verify information about potential hires accurately, and the total training costs for all positions are calculated. This finding aligns with the research of Al-Bashir (2022), Ben Tareef (2022), Al-Madhoun (2019), and Sharm & Kumar (2021), which suggested that developing systems to measure and monitor human resource performance, along with periodic reports, helps management understand performance and take corrective actions when necessary, a process made easier by human resource accounting.

Recommendations:

Based on the study's findings and their analysis, the following recommendations are proposed:

- 1. Precise Employee Selection:** Palestinian companies should prioritize selecting new employees based on well-defined performance criteria to improve efficiency. This will result in higher current and future net profits, ultimately enhancing financial performance.
- 2. Evidence-Based Hiring and Promotion:** Decisions regarding hiring and promotion in Palestinian companies should be grounded in scientific methods and principles relevant to the specific roles. This approach will help minimize the costs associated with human resource training, maintaining current profit levels, and boosting overall financial performance.
- 3. Comprehensive Training Needs Assessment:** Palestinian companies should perform a detailed assessment of their human resource training needs as part of a structured process incorporated into their budget planning. This ensures employees acquire new skills, knowledge, and experience, enhancing their efficiency and positively impacting future financial performance.
- 4. Implementation of Effective Accounting Policies:** Palestinian companies should adopt effective accounting practices and policies to establish human resource accounting. This includes developing thorough analytical, statistical, and accounting records to track, categorize, and measure all human resource activities within a comprehensive accounting system.

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