

AMOGHVARTA

ISSN : 2583-3189



Human Resource Accounting Disclosures Top Ten Selected Indian I.T. Companies

ORIGINAL ARTICLE



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Abstract

The success of any organization depends on the quality of human resources working in it, whether it is associated with manufacturing, service or retail outlet. Human resources are valuable assets that are utilized to boost productivity, earning capacity, wealth and profit, market value, economic value addition, etc., in the same way that physical assets are used to raise any corporate organization's earning capacity. The primary purpose of the present paper is to examine the human resource accounting disclosure (HRAD) practices of the Indian top ten I.T sector companies. The study sampled top 10 I.T companies listed on BSE, selected on the basis of market capitalization. Using the HRAD checklist, the annual reports of the selected companies were examined to determine the extent of HRAD information they contained. The year of the study is 2023-24. The thirty items in the HRAD checklist were developed following a thorough assessment. The results reveal that most of the I.T companies are aware of HRAD and voluntarily disclosing some of the information related to the human resources in annual reports. However, since it is not mandatory to disclose Human Resource Accounting information, its disclosure is quite low.

Key Words

Human Resource Accounting, HR Disclosure Practices, Disclosure checklist.

Introduction

Decisions on long-term investments in an organization are aided by knowledge about its internal strength provided by human resource accounting. This also affects the employee's performance and bargaining strength. However, despite its significance, management philosophers had long neglected to give the study of an organization's human resources the necessary attention. The financial accounts are prepared in accordance with the Indian Company Law, albeit with certain limitations. Other than the salary provided to them and the number of employees receiving compensation exceeding a specific level annually, there is no space for displaying any important information concerning human resources in financial statements. However, nothing prevents businesses from including information regarding the value of their human resources and the outcomes. The

earliest attempt to quantify human worth in monetary terms was conducted in early 1691 by pioneer Sir William Petty. Currently, Human Resource Accounting Disclosure (HRAD) in India is voluntary in nature, similar to most other developing countries. Due to this, HRAD produced by Indian companies is unorganized, inconsistent and unique among companies. Thus, it is necessary to investigate this field in order to assist the government in establishing a suitable assessment. Additionally, it will help standardize the way that HR related information is disclosed.

Review of Literature

Mohiuddin and Meher Nigar (2017) investigated the concept of human resource accounting that emphasizes the value of human capital as an asset from the standpoint of strategic HR planning. They use Human Capital, Intellectual Capital Approach as the keyword of this research. Descriptive and conceptual study method use and conclude that Human Resource Accounting is a crucial process in human resource management, identifying and measuring data about human resources and communicating this information to stakeholders. It provides a basis for controlling human asset value, valuing investments in employees, and aiding in strategic planning, decision-making, and budgetary controls. It helps organizations make informed decisions about recruitment, promotion, transfer, retention, and reallocation of plants.

P.Rolla (2017) the study's objective is to offer empirical insights into the connection between an organization's talent inventory and the prevalence of human resource accounting. One of the main tenets of strategic human resource management is the valuation of human resources. Empirical research, particularly those conducted in wealthy nations, has strongly supported this argument. The study demonstrated that HRA and endogenous variables business, technical, and strategic human resource management skills had a substantial positive correlation. He recommended increasing the investment in human resources and skills.

Bavali & Jokar (2014) they studies that first, examines dimensions of various valuation models of human resource and then they are compared with Goleman individual and social competency indicators. Next, individual, organizational and social competency indicators are designed through developing Goleman model. They came to the conclusion that human resource accounting has not advanced or been evaluated to an acceptable degree, and that managers and HR accountants in different organizations are unable to examine the complexity of the present HR models. Consequently, the Goleman model has little chance of surviving in this context.

Dyana & Kesavan (2014) conducted a study to analyze the relationship between the financial performances with Human Resource Accounting Disclosure (HRAD) among theselected Indian Companies. For this study, financial information was gathered from four businesses between 2005 and 2012. They calculated how the predictor variables affected the response variable, which displays the private companies' financial success. The outcome demonstrated that, among the chosen companies, there was a very strong correlation between ROA, ROE, and HRAD when compared to public enterprises.

Limitations of the Study

The study period of the above study is limited to 2023-24 year only. Only Top Ten I.T sector companies viz., Tata Consultancy Service, Infosys, HCL Technologies, Wipro Limited, LTIMindtree Ltd., Tech Mahindra Ltd, Persistent Systems Ltd, Oracle Financial Services Software Ltd, Coforge Ltd, MphasiS Ltd have been considered for the study of disclosure of Human Resource Accounting variables. This study is based on secondary data which are collected from annual reports of companies. The limitation of secondary data may also influence the study. Another limitation is the subjectivity of the disclosure index as it is not a standardized index. The present study focused on top ten I.T sector companies in the year 2023-'24 only in future another sector should also be explored.

Research Design and Methodology

Sample

The present study is empirical in nature and is based on the secondary data. The study is focused on HRAD practices of I.T sector in India. The companies listed on BSE forming part of the index has been top

ten I.T sector companies in India selected as a sample for the present study. All the 10 companies are considered for the study. The study has examined annual reports of all the ten companies for the year 2023-'24.

Human Resource accounting Discloser checklist

For the purpose of reviewing the annual reports of the selected companies, a human resource accounting disclosure checklist was created. After examining annual reports and doing a literature study, this checklist was created. This checklist's primary goal is to draw attention to the top 10 IT sector businesses disclosure of human resource information. There are thirty things on the final HRAD checklist that was created. Table 1 displays the checklist's specifics. Numerous facets of HRA information are covered by the checklist.

Table 1: Human Resource Accounting Checklist

Sr. No.	Disclosure Items	Sr. No	Disclosure Items
1	Number of Employee	16	Provident Fund
2	Employee Hired on a temporary basis	17	ESOP
3	Age Wise Segregation of employee	18	H.R. Valuation Model
4	Average Age of the employee	19	Human Resource Value
5	Gender Wise Segregation	20	Discount Rate
6	Group-wise distribution	21	Pension fund
7	Number of Disabled Employees	22	Employee Turnover
8	Employee Cost	23	Employee Turnover Age wise
9	Employee Remuneration	24	Gratuity
10	Provision For Remuneration	25	Profit per employee
11	Managerial Remuneration	26	Leave Encashment
12	Training and Development Expenses	27	Other Employees benefits
13	Number of Employees who have undergone Training	28	Employee Benefit Fund/ Worker Fund
14	Gender Wise Segregation of employees undergone for training	29	Salary Escalation Rate
15	Human Resource Development Fund	30	Superannuation Fund

Content Analysis

Based on the finalized criteria, a content analysis technique was used to examine the annual reports of the Selected I.T sector Companies. In the present research, words are used as units for examining the content. Further annual reports of selected companies were analyzed by following a dichotomous procedure. A company scores 1 if the item is disclosed in annual reports and 0 if the item is not disclosed. The total HRAD score is obtained by summing all the score awarded to a particular company.

Analysis and Findings

The examination of annual reports of the selected companies highlighted that most of the companies are aware of the importance of the employees of their organization and also recognizing and appraising their efforts in the annual reports in descriptive form. However, none of the company is measuring the value of their employees in monetary terms. Annual reports of the sampled companies for the year 2023-24 were examined on the basis of the finalized HRAD checklist with the help of content analysis. The total score attained by each company is calculated. Table 2 shows total HRAD score of each company. The average HRAD count comes to be 19 out of 30. This is considered to be very low as compared to maximum obtainable score (25). It signifies the low level of HRAD across selected I.T sector companies. However, none of the company scored zero. This implies that all the companies are aware of the importance of the disclosure of information related to human resources of the company. But disclosure is considered to be voluntary in nature as Government and other legal committees have not made any Act to disclose and evaluate the information related to employees of the organization. As a result, there is a low level of HRAD in the annual reports of the selected companies.

Table 2: Top Ten I.T Sector Companies Disclosure Score (Year: 2023-24)

Sr. No.	Company	Disclosure Score	Sr. No.	Company	Disclosure Score
1	Tata Consultancy Service	20	6	Tech Mahindra Ltd	25
2	Infosys	18	7	Persistent Systems Ltd	22
3	HCL Technologies	20	8	Oracle Financial Services Software Ltd	15
4	Wipro Limited	18	9	Coforge Ltd	20
5	LTI Mindtree Ltd.	21	10	MphasiS Ltd.	13

Table 3 shows a summary of the HRAD according to individual elements of the checklist. It can be deduced from the table that commonly disclosed items are No. of employee, employees cost, provision for remuneration, employee remuneration, managerial remuneration, gratuity, other employee benefit, provident fund. While the least disclosed items are Employee Turnover Age wise, Average Age of the employee, Group-wise distribution, H.R. valuation model, human resource value, human resource development fund, profit per employee, age wise segregation of employee. The non-disclosure of human resource value, valuation model and human resource development fund indicated that none of the company is evaluating their human resources.

Table 3: Summary of the disclosed information

Sr. No.	Disclosure Items	Total number of companies disclosing	Sr. No	Disclosure Items	Total number of companies disclosing
1	Number of Employee	10	16	Provident Fund	10
2	Employee Hired on a temporary basis	08	17	ESOP	08
3	Age Wise Segregation of employee	02	18	H.R. Valuation Model	00
4	Average Age of the employee	01	19	Human Resource Value	00
5	Gender Wise Segregation	08	20	Discount Rate	10
6	Group-wise distribution	02	21	Pension fund	09
7	Number of Disabled Employees	06	22	Employee Turnover	08
8	Employee Cost	10	23	Employee Turnover Age wise	01
9	Employee Remuneration	10	24	Gratuity	10
10	Provision For Remuneration	10	25	Profit per employee	00
11	Managerial Remuneration	10	26	Leave Encashment	03
12	Training and Development Expenses	03	27	Other Employees benefits	10
13	Number of Employees who have undergone Training	09	28	Employee Benefit Fund/ Worker Fund	09
14	Gender Wise Segregation of employees undergone for training	09	29	Salary Escalation Rate	08
15	Human Resource Development Fund	00	30	Superannuation Fund	08

Summary and Conclusion

The study investigated the disclosure of Human Resource information of Indian I.T sector top ten companies. A 30 items HRAD checklist was devised on the basis of after reviewing the literature and examining the annual reports of the selected companies to assess the disclosure of HRAD information. Overall the study concluded that selected top ten I.T companies are disclosing HRA information to a moderate level only. Further, the disclosure level of most of the companies is quite low as compared to a maximum score of the developed checklist. The analysis found that most of the information disclosed was descriptive. None of the companies measured their human resources in financial terms. The major reason of non-measurement of Human resources is the preciseness of computation methods Human Resource Accounting. Furthermore, since HRA reporting is not mandatory, which makes comparisons between companies more difficult. But it is important to note that none of the ten companies sampled received a zero score. This shows that companies are aware of the importance of Human Resource information but the level of evaluation by expressing it in financial terms is low due to its voluntary nature.

This information will help various stakeholders. Investors will be able to make their investment decisions more efficiently based on this information so that to improve the disclosure level, the government should make HRA measurement and reporting mandatory for every organization. This will also bring consistency in HR assessment and reporting across companies. As a result, comparison of this information between companies will become meaningful and useful. HRAD also has a positive impact on employees as managers will be able to make better decisions regarding employees by considering the financial aspect of the employees. Moreover, this practice will also help companies retain talented and experienced employees in the organization. Employee loyalty to the company increases as a result of feeling appreciated by the company. This will act as a competitive advantage for the organization over other businesses.

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