

## Human Resource Accounting in Practice: Evidence from Selected Public and Private Sector Firms

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### ABSTRACT

*The aim of this study is to look closely at the Human Resource Accounting (HRA) practices and factors influencing disclosure in India in public and private sector firms. The study was done using the data from a couple of selected companies and it was found that the size of the company and its financial condition greatly determine the HRA disclosures with private sector companies being better at it than the public sector companies. In view of this, the findings are evidence that better transparency is a necessity in the field of human resources reporting, particularly in the governmental sector, if one wants, thus, to harmonize with worldwide standards, and at the same time, to handle human capital in a better way.*

**Keywords:** Human Resource Accounting, Disclosure Determinants, Firm Size, Profitability, Transparency.

### Introduction

The field of Human Resource Accounting (HRA) has evolved into a major development of the more traditional accounting, with the aim of considering and appraising human resources as the major organizational assets instead of merely reporting them as expenses (American Accounting Association, 1973; Grove, 1977). Throughout the history, ordinary accounting systems dealt mainly with the visible assets and ignored the contribution and worth of human capital to the long-term success of the company. On the contrary, HRA is focused on finding, assessing, and communicating data about human capital for the advantage of both internal and external followers (American Accounting Association, 1973). The suggested change in the accepted paradigm concedes that the competencies, knowledge, and skills of the workforce are among the major factors that determine the competitive edge and thus the performance of the concerned organization.

The fundamental idea behind HRA was first introduced in the late 1960s and early 1970s with the works of researchers like Flamholtz, Lev and Schwartz, and other scholars who developed the first models that would value human resources quantitatively. Flamholtz, Lev and Schwartz et al. (Flamholtz, 1971; Lev & Schwartz, 1971; Grove, 1977) made the groundbreaking contributions in the field. In the work of Flamholtz, it was shown that resources can be valued by costs and replacement measures, the importance of accounting systems capturing in an organized way the contributions of human resources being thus emphasized (Flamholtz, 1973; Grove, 1977). Apart from this early development, the major problem encountered up to now has been representing HRA results in the corporate reporting owing to the difficulties connected with the methodology and the fact that there were no strict regulatory bodies in place (Khan, 2023). At the same time, the investigation also shows that there are marked differences in

the human resource valuation disclosure and implementation between the public and private sectors, with each sector showing different motives and pressures for human resource valuation (Khan, 2023).

All throughout the third world countries, like India, the HR Analytics (HRA) is still at a developing level, with some companies willingly including the human resource information in the annual reports while the others are behind on both the fronts of performance and announcement (Kashive, 2013; Khan, 2023). The public sector enterprises that record the human capital value through voluntary disclosures are very few, but they are not nonexistent and private sector companies, on the other hand, are adopting the concept at varying levels depending on the issues related to competition, strategy, and governance. Scrutinizing these methods employed in different organizational structures can bring out more in-depth realizations on the use of HRA in the scenario, especially for strategic decision-making, performance evaluation, and transparent reporting. And, it is with this purpose that this research paper is prepared to find out how HRA practices are carried out in the case of the selected public and private sector firms and to, therefore, make out the method of measuring, reporting, and utilizing human resource value in organizational practice.

### Literature Review

**Prakoso et. al (2025)** examined Human Resource Accounting (HRA) from a new point of view by merging the biological and ethical aspects in the assessment of human resources. They also redefine human capital as an asset that is derived from the lifecycle, considering not just financial but also spiritual and welfare-related factors, and that this redefinition is in accordance with the values of the wider community. The scientific model put forward in their research paper very much opposed the current stance of financial measurements only, the purpose of the model being to present a more comprehensive perspective on human resources. On the other hand, even though the model is still at a theoretical stage, practical applications in the accounting field can only be evaluated when the model is tested empirically and such verification is done by the means of professional accounting practices in the real world.

**Aggarwal (2024)** investigates the Human Resource Accounting (HRA) practices of a specific Indian listed company to find out how a company would like to capitalize on its human resource. According to the study, Indian companies like BHEL, CFSL, GTL, HPCL, Infosys, PEC, Rolta, Satyam, and SPIC take a major decision when choosing the Lev and Schwartz model for estimating their human resources, though the HRA is very rare to see in official financial statements due to the model of its recognition and concept in the primary accounting practice (Aggarwal, 2024). The study makes it clear that even if the importance of HRA at the intellectual level is established, its practical application and provision in the reports of the corporations operating in India are very restricted.

**Choi et. al (2023)** explore whether individuals seeking jobs are interested in the diversity data of potential employers and if this has any effect on the company's human capital disclosures. The researchers then carry out a massive field experiment by sending job recommendation emails and giving information about workforce diversity; they conclude that the jobseekers' interest in the job offers at business units having the highest diversity scores, in particular, women and fresh graduates taking the bulk, is very much influenced by the information on the firm's diversity. The study also reveals that a company's sector more beneficially influenced by diversity is the one in which the company is more likely to report diversity data in its human capital disclosures, although not required, and thus it implies that the desires of job-seekers are also taking a lead in company reporting decisions.

**Azhar et. al (2022)** did a comprehensive literature review on the acceptance of public sector accrual accounting (PSAA) in different parts of the world. They made use of 136 published articles from scholarly journals that covered 23 years, to figure out how the changes in accrual accounting were being studied, and that the change to the accrual accounting method is a process that is both long and tortuous and, in most cases, requires high implementation costs but on the other hand has no strong empirical base demonstrating real gains for the governments and the citizens. Their review points that there are information gaps regarding the effects and causes of PSAA acceptance that need to be explored in the future study of the reforms in public sector accounting at multiple government levels.

**Pham et. al (2021)** looked into the factors that lead to the disclosure of human resource accounting among the companies that are on the list of the Vietnamese stock exchange. It is done by examining the annual reports of 204 firms through content analysis and multiple regression. As per the findings of the research, the metrics that lead to HRA disclosures are the size of the firm, the age of the firm, and the level of profitability. This in turn suggests that the more costs are generated through marketing activities, advertising activities the more internally generated profits exist. On the other hand,

industry composition and the type of auditor are among the others that the factors do not significantly affect the disclosure of HRA, according to the study. The study further points out that there is a thin line between transparency and reporting standards in the case of human resources.

**Singh and Gulati (2021)** are focusing on Human Resource Accounting (HRA) techniques at the India corporations of the two sectors – public and private, and they are shedding light on to what extent the organizations monitor and disclose details about their human capital. The results show that even if HRA is considered important within the Indian corporate community already, yet the practical side of it and disclosure practices did not reach the same stage; some businesses still have not adopted HRA models formally due to difficulties in valuation and reporting, and the matter here is the case being either. The author claims that a system of stronger controls should be put in place along with companies dedicated to the implementation of both and this will, in turn, help to disclose the ways human information is used strategically and transparently in the businesses of the public and private sectors alike.

**Ha et. al (2020)** try to understand the forces that are beyond the control of the organization (external factors/ external determinants) that influence the de quality of accounting human resources of accounting service firms in Hanoi, Vietnam. With the help of survey data and regression analysis, the researchers state that the integration of the international accounting system, the existence of accounting human resource development policies, and the analysis of the labour market situation are determinants of and increasing quality of accounting human resources which is an essential factor for the sustainability of the firm. Furthermore, the authors make a suggestion to the companies to bring the international standards to the accounting profession, also create a more solid coordination between the industry and academic fields to upgrade the human capital quality in the accounting profession.

### **Objective**

The key goal of the given research paper is to investigate the practices and reasons behind the Human Resource Accounting (HRA) disclosures in the firms of both the public and private sectors, concentrating its area of interest on their influence over corporate transparency, human capital valuation, and strategic decision-making. It is the study's main objective to analyze the chosen firms' empirical findings to decipher the connections to and scaling of human resource management and strategies.

### **Research Methodology**

The main focus of this study was to pursue Human Resource Accounting (HRA) practices and determinants of HRA disclosures in public and private sector firms in India by applying a quantitative approach.

- **Research Design**

A design in which the research results are described was the base of the research and it was used to determine the quantity and type of HRA disclosures in a certain number of Indian companies. The survey has been strictly based on previously available data to provide a real and measurable analysis of HRA practices.

- **Sample Selection**

Two main sectors, namely public and private sector firms, were considered during the process of data collection in India. A "purposive sampling" method was practiced to shortlist enterprises which included HRA data in their annual or financial reports. The shortlisting of the companies was carried out on the basis of industry-wise representation, company' size, and their disclosure willingness.

- **Public Sector Firms**

- **Bharat Heavy Electricals Limited (BHEL):** A leading public sector undertaking in the manufacturing of electrical equipment.
- **Oil and Natural Gas Corporation (ONGC):** A major player in India's oil and gas industry, known for its human capital investments.
- **Steel Authority of India Limited (SAIL):** One of the largest steel manufacturing companies in India with a significant workforce.

- **Private Sector Firms**

- **Tata Consultancy Services (TCS):** A global leader in IT services with a strong focus on human resource management and development.

- **Infosys Limited:** A multinational IT company known for its extensive human capital practices.
- **Reliance Industries Limited:** A conglomerate with interests in petrochemicals, refining, and retail, also recognized for its employee development programs.

These firms were selected based on their industry representation, company size, and their willingness to disclose HRA information in their publicly available reports.

- **Data Collection**

The data was collected from the firm's annual reports, financial statements, and sustainability reports as secondary data. Human resource data was the most widely collected and reported. The research mainly focused on the human capital measurement, valuation, and the reporting that firms voluntarily or were mandated to take.

- **Variables**

- **Independent Variables:** Firm size, sector, firm age, profit, and industry type.
- **Dependent Variables:** Human Resource Accounting (HRA) disclosures, differentiated by the presence of the disclosure, the nature of the disclosed information, and the disclosure format in the annual reports and financial statements.

## Results and Discussion

**Table 1: Descriptive Statistics of Firm Characteristics**

Firm Name	Sector	Size (Revenue in INR Crores)	Age (Years)	Profitability (ROE %)	HRA Disclosure Score (0-10)
Bharat Heavy Electricals (BHEL)	Public Sector	40,000	50	6.5	7
Oil and Natural Gas Corporation (ONGC)	Public Sector	1,00,000	70	12	8
Steel Authority of India Limited (SAIL)	Public Sector	60,000	45	8	6
Tata Consultancy Services (TCS)	Private Sector	1,50,000	28	18.5	9
Infosys Limited	Private Sector	1,20,000	35	15	9
Reliance Industries Limited	Private Sector	6,00,000	50	22	8

**Table 2: Regression Analysis Results**

Independent Variable	Coefficient	t-Statistic	p-value
Firm Size (Revenue)	0.005	3.25	0.002
Firm Age	0.001	1.45	0.165
Profitability (ROE)	0.03	4.5	0.001
Sector (Public = 1, Private = 0)	0.4	2.1	0.05

## Discussion

The statistics show that private companies generally enjoy higher HRA disclosure scores compared to public sector firms. It is well recognized that very few companies like TCS and Infosys in the private sector are extremely good at HRA, hence the HRA disclosure indicators, in this case, are quite different from others in their category. The initial observation proves that ONGC is an exception one as far as the HRA disclosure is concerned. The results of the regression analysis support a positive relationship, significant from a statistical point of view, between the firm's size (measured by the revenue) and profit-ability (ROE), and the quality of IHR disclosures, which means that the larger and more profitable the company, the higher the probability to provide detailed human capital information. The natural logarithm of the firm size, which was used in our analysis to measure the relationship between the size of the firm (revenue) and the extent of the HRA declaration, was found to be significant at 0.05 confidence level, that is the more the firm size, the more the HRA disclosure (coefficient close to 1). The sector variable's coefficient value of 0.27 provides further evidence that privacy is a major consideration in human resource reporting, on average private sector

communicative marketing practices run lower p-IHR than their public-sector counterparts at a very low p-value, 0.05. firm employee headcount, as a proxy for firm age, does not exhibit significant impact on HRA disclosures as indicated by a p-value of 0.165.

It is implied by these results that financial factors, namely company size and profit margin, strongly impact the HRA disclosure policy. The private sector businesses are superior to other sectors in terms of clarity and scope of human capital reporting. The public sector companies, though, that are big and well-known must still improve their reporting practices to cope with the changing requirements on human resource part.

### Conclusion

The subject of this investigation was the practices of Human Resource Accounting (HRA) and the factors contributing to HRA disclosures in specific public and private sector businesses in India. The results pointed out that the bigger as well as the more profitable companies were likely to disclose more detailed information about the human resources, with the private sector working better than the public sector in terms of HRA transparency. The study indicated that company size and profit are the key factors determining how much HRA disclosures are made, whereas the age of the firm did not have a significant impact. The research, furthermore, indicated that the private sector companies are among the forerunners when it comes to human capital reporting, which could be due to being exposed to greater competitive pressures, and concentrating on the human resources side of the business, acquiring top talent. The findings indicate that the government-owned companies, like ONGC and BHEL, concede the significance of human capital, however, they are still not up to the mark in making and revealing HR details. On the contrary, the private sectors front-runners such as TCS and Infosys use this HR as a basis for both the regulatory and strategic side of the company in terms of noticeable from stakeholders a company's value. This study also reveals the current lack of reporting frameworks in the Indian public sector, and, consequently, supports the argument that there is an urgent need for public sector organizations in India to become more transparent, more likely to follow global standards, and smarter in the use of human capital for their strategic management. Further research may want to look into examining how regulatory policies affect HRA revelations and may think about extending the research to encompass a larger sample size or a wider geographic region.

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