



A study on HR accounting in selected IT companies in India

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Abstract

The research explores the use of Human Resource Accounting (HRA), its effects on managerial decision-making, and the obstacles faced during its implementation. By employing secondary data and statistical methods, the study examines the connection between HRA practices and organizational performance indicators, including employee productivity, retention rates, and profitability. The findings highlight the significance of HRA for efficient management and offer suggestions for enhancing HRA implementation and reporting within the Indian IT industry.

Keywords: Human Resource Accounting (HRA), IT industry, profitability, managerial decision-making.

Introduction

The Indian Information Technology (I.T.) sector includes both IT services and business process outsourcing. This swiftly growing industry offers a variety of services, products, and infrastructure, significantly contributing to the nation's economic growth and job creation. The Indian IT sector continues to thrive in the modern world, driven by digital transformation, a strong start-up ecosystem, and a focus on workforce development. The significance of this study lies in addressing the current gap in literature concerning Human Resource Accounting (HRA) within the Indian IT industry. This research aims to provide valuable insights into the adoption of HRA, its impact on organizational performance, and strategies for its effective implementation in the Indian context.

Review of Literature

Gupta, A. (2021)-This research highlights that conventional financial statements do not sufficiently capture the value of human resources. Human Resource Accounting (HRA) addresses this shortcoming by treating employees as assets, thus offering a more accurate insight into how human capital contributes to an organization's success. HRA enables organizations to assess the actual worth of their human resources and acts as a tool for making informed decisions about talent management.

Poonia, N., Gaur, Y., and Singh, S. (2021) ^[2] - This study underscores the growing significance of HRA practices within India's private sector firms. It elaborates on how HRA assists companies in assessing the cost and value of their human resources, which is crucial for managing employee productivity and boosting profitability.

Singh, D. M., and Jat, B. (2020) ^[3]- This research investigates human resource accounting (HRA) practices within Indian firms, highlighting that human capital is frequently regarded as an intangible asset in financial reports. The findings indicated that human resources play a critical role in predicting company performance and employee retention, encouraging more businesses to implement HRA practices for strategic decision-making.

Dr. Raghavendra K S (2022) ^[4]- This research concentrated on the changes occurring in India's IT industry due to technological progress, shifts in regulations, and changing

consumer demands. It underscored that human resources are a vital factor affecting organizational performance and long-term viability. The study points out that the incorporation of HR accounting practices in the IT sector has not been extensively explored.

Statement of Problem

In recent times, the information technology sector in India has experienced major changes influenced by technological innovations, shifts in regulations, and changing consumer demands. Within this ever-evolving environment, human resources (HR) continue to play a vital role in shaping organizational effectiveness and long-term success. Nevertheless, the application of HR accounting practices in the IT sector has not been extensively explored. HR accounting is a relatively modern concept that has been more widely embraced in developed nations, while it is still on the rise in India. Therefore, this study seeks to explore how HR accounting is implemented in selected IT firms in India and its effect on strategic decision-making and overall performance.

Objective

To examine the Human Resource Accounting practices within Indian IT firms and the various models and approaches to HRA practices.

Hypothesis

H0– There is no significant correlation between the acknowledgment of human resource value within an organization and its revenue performance.

H1– There exists a significant correlation between the acknowledgment of human resource value within an organization and its revenue performance.

Scope of the study

The research primarily centers on Human Resource Accounting (HRA) and is carried out within the Information Technology (IT) industry. The study is restricted to certain IT firms in India. Additionally, the research explores the HRA practices adopted by these chosen IT companies.

Research Methodology

The methodology employed for this research involves Secondary Data Sources.

Data Source: The data utilized in this study is secondary, gathered from chosen companies that offer insights

regarding their human resource management and practices through their annual reports, along with information obtained from academic journals, articles in news magazines, and online resources.

Analysis and Interpretations

Table 1: Revenue and Human Resource Value of Infosys

Particulars (In Rs crores)	2020	2021	2022	2023	2024
Revenue/Sales Turnover	90,971	85,912	1,21,641	1,46,767	1,53,670
Human resource value	1,36,999	1,38,369	1,39,739	1,41,109	1,42,520

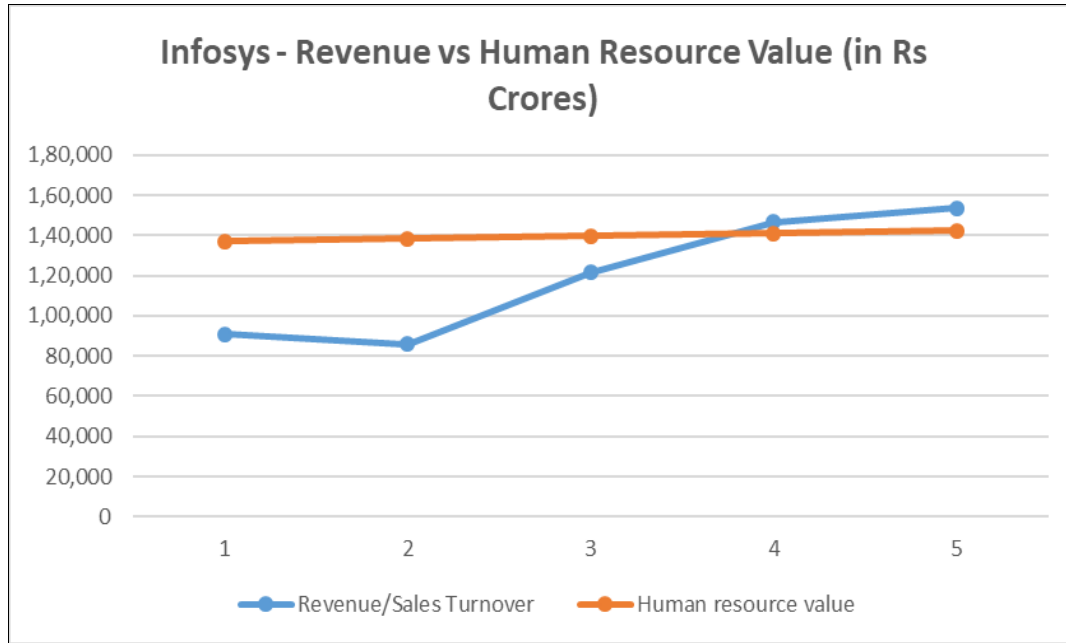


Fig 1: Comparison of Revenue and Human Resource Value of Infosys

Interpretation

Upon reviewing Infosys' revenue from 2019 to 2024, it is evident that there has been a consistent rise in revenue throughout the five years, with only a slight decrease noted in 2020. During this same timeframe, the value of human resources has largely remained stable at around Rs 1,40,000 Crores. This suggests that, although the value of human resources does have some effect on revenue, its influence is relatively minor.

Correlation analysis of revenue and human resource value for Infosys

Hypothesis

H0 – There is no notable connection between a company's revenue performance and its recognition of the value of human resources.

H1 – There is a notable connection between a company's revenue performance and its recognition of the value of human resources.

Table 2: Correlation of Revenue and Human Resource Value for Infosys

		Revenue	HRV
Revenue	Pearson Correlation	1	.948*
	Sig. (2-tailed)		.014
	N	5	5
HRV	Pearson Correlation	.948*	1
	Sig. (2-tailed)	.014	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

Interpretation

The correlation coefficient stands at 0.948, demonstrating a strong positive relationship. This suggests that there is a high correlation between the value of human resources and revenue. The statistical significance of this correlation analysis was assessed using a t-test. The significance value obtained from this test is 0.014, which is less than 0.05, allowing us to reject the null hypothesis at a 5% significance level, indicating that the correlation is deemed statistically significant.

Table 3: Revenue and Human Resource Value of TCS

Particulars (In Rs Crores)	2020	2021	2022	2023	2024
Revenue/Sales Turnover	1,46,463	1,56,949	1,91,754	2,25,458	2,40,893
Human resource value	4,31,596	4,74,281	6,00,356	6,25,370	6,38,133

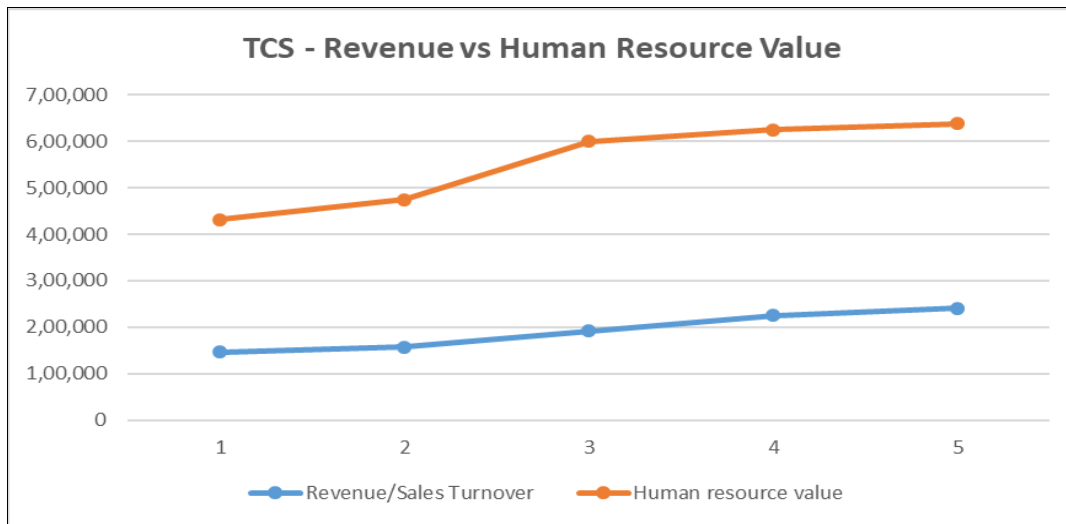


Fig 2: Comparison of Revenue and Human Resource Value of TCS

Interpretation

By examining TCS's revenue from 2019 to 2024, we observe a consistent growth in revenue throughout these five years. During this time frame, the value of human resources has also experienced a generally steady rise. From this, we can deduce that there exists a linear correlation between TCS's revenue and the value of its human resources.

Correlation analysis of revenue and human resource value for TCS

Hypothesis 1

H1: A noteworthy correlation exists between the recognition of the value of human resources within an organization and its revenue outcomes.

H0: There is no noteworthy connection between the human resource management/accounting practices implemented by a company and its overall efficiency.

Table 4: Correlation of Revenue and Human Resource Value for TCS

		Revenue	HRV
Revenue	Pearson Correlation	1	.953*
	Sig. (2-tailed)		.012
	N	5	5
HRV	Pearson Correlation	.953*	1
	Sig. (2-tailed)	.012	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

Interpretation

The correlation coefficient stands at 0.953, indicating a robust linear relationship. This demonstrates that there is a strong correlation between human resource value and revenue. A t-test was conducted to assess the statistical significance of this correlation. The significance result from this test is 0.012, which is less than 0.05; therefore, we reject the null hypothesis and conclude that the correlation is statistically significant.

Regression analysis INFOSYS

Table 5: Regression analysis of Infosys between Human Resource Value and Variables – No of Employees, Revenue/Sales Turnover, No of Employees and Net Profit.

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	140737.904	1407.588		99.985	.006
	No of Employees	-.046	.008	-.103	-5.544	.114
	Revenue/Sales Turnover (in Rs Crores)	.094	.018	.092	5.215	.121
	Net Profit (in Rs Crores)	.598	.128	.099	4.679	.134
	Revenue per employee	-28147.294	287.460	-.926	-97.917	.007

a. Dependent Variable: Human resource value (in Rs Crores)

Interpretation

In the regression model discussed, we observe that among the four predictor variables, Net Profit, with a coefficient of (b=0.598), indicates that greater profits are positively linked to HR value, while the number of employees, with a coefficient of (b=-0.046), suggests that as the workforce expands, HR value experiences a slight decline. Conversely,

the revenue generated per employee, represented by the coefficient (b=-28147.29), illustrates that a higher revenue per employee correlates strongly with a reduction in HR value. Lastly, the Revenue/Sales turnover, with a coefficient of (b=0.094), implies that an uptick in sales turnover is associated with an enhancement in HR value.

**Regression analysis
TCS**

Table 6: Regression analysis of TCS between Human Resource Value and Variables- Revenue per Employee, Net Profit and Revenue/Sales Turnover.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	490759.227	85083.276		5.768	.109
	Revenue/Sales Turnover (in Rs Crores)	2.874	.995	1.256	2.889	.212
	Net Profit (in Rs Crores)	-1.491	2.349	-.152	-.635	.640
	Revenue per employee	-1315166.415	742999.037	-.486	-1.770	.327

a. Dependent Variable: Human resource value (in Rs Crores)

Interpretation

In the regression model discussed, it is evident that among the three predictor variables, Net Profit, which has a coefficient value of (b=-1.491), negatively influences the HR value. On the other hand, Revenue per employee, represented by a coefficient value of (b=-1315166.41), indicates a significant negative correlation with HR value. Lastly, the Revenue/sales turnover, characterized by a coefficient value of (b=2.874), demonstrates a positive correlation with HR value.

Conclusion

Human Resource Accounting (HRA) plays a crucial role in effective management by delivering qualitative insights on changes in personnel, assisting in cost evaluations, and enabling improved decision-making. It aids in assessing the return on investment in human capital and communicates the worth and distribution of human resources within an organization.

Although HRA tackles the difficulty of valuing intangible assets such as human resources, its implementation in India remains relatively nascent, with only limited advancements in companies reflecting the value of human resources in their financial statements.

Limitations

- This research focuses exclusively on the top two IT firms in India.
- The implementation of human resource accounting is currently incomplete within the IT sector in India, including the chosen sample companies.
- The secondary data gathered may have limitations due to the insufficiently researched literature on this topic in the Indian context.
- There is no universally recognized or defined method for determining the cost and value of an organization’s human resources, and this practice remains underutilized across all industry sectors in India.

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