



A STUDY OF LITERATURE REVIEW ON HUMAN RESOURCE ACCOUNTING PRACTICES

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ABSTRACT: The dynamic and competitive nature of today's business environment necessitates organizations to leverage all available resources effectively, including human resources. Human Resources (HR) have long been acknowledged as a crucial asset to any organization, yet quantifying their value remains a complex challenge. It is a financial analysis, and during the past ten years, an enormous amount of literature has been stated outlining numerous evaluation processes. Academicians have given the theory and basic concepts of accounting measurement a great deal of consideration at the same time, and a sizable body of literature has resulted from this. Traditional accounting practices do not consider human resources to be tangible or monetary assets. This research paper is an attempt to review the comprehensive literature on human resource accounting practices during the period of five years from 2019-20 to 2023-24. The study is descriptive and exploratory in nature. The secondary data was used for the study which was collected from various sources, online databases, journals, websites, books, newspapers, and magazines, etc.

KEYWORDS: Literature review, HRA practices, human resource accounting.

1. INTRODUCTION

A new branch of accounting is a Human Resource Accounting Evaluation of the costs and worth of people to manage is a critical expense incurred throughout employee recruitment, selection, employment, training, and development. The American Accounting Association has defined the term HRA as "The process of identifying and measuring data about Human Resource and communication of this information to interested parties". (Gupta A. K., 2021)

The current corporate environment is full of competition, and each organization wants to flourish in their field of expertise. HR plays the most crucial function in the success of a business. HR are constituted vital assets, and unlike physical assets, HRA gives useful information regarding the value as well as cost of HR.

Numerous researchers are working on different concerns. They have each made a different contribution to the concept's development. As an outcome, prior studies must be reviewed while doing new study. It offers the researcher various viewpoints on the subject at hand.

Various researchers have studied the issue using various techniques, a number of methods, instruments, and data processing techniques, and they have come to differing results. It provides the researcher with the fundamental knowledge to comprehend the issue, identify areas for further study, and focus on areas that have not been explored. This study conducts a comprehensive literature review on Human Resource Accounting practice.

2. OBJECTIVE OF THE STUDY

The purpose of the study is to critically review the available literature on human resource accounting practices in all over the world.

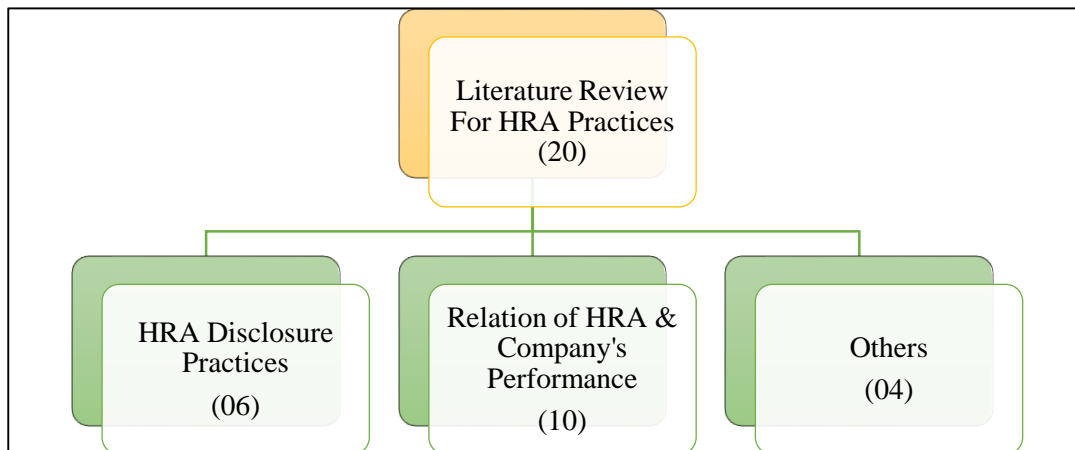
3. RESEARCH METHODOLOGY

3.1 Duration of the Study: Five years from 2019-20 to 2023-24.

3.2 Nature of the Study: Descriptive and exploratory in nature.

3.3 Data Collection and Source of Data: The secondary data was used for the study which was collected from various sources, online databases, journals, websites, books, and magazines, etc.

FIGURE 01: THEORETICAL FRAMEWORK



(Source: Author's Compilation)

4. REVIEW OF LITERATURE

The review of literature plays a vital role in research. This is divided into 3 categories for the study (see figure 1) which briefly describes as follows:

4.1 Reviews related to HRA Disclosure Practices-

- 4.1.1 Yani P. et.al. (2024)**, “Human Resource Accounting Disclosure: An Evidence from Indonesian Manufacturing Industry”, this study described the conformity of the HR accounting index in manufacturing companies of Indonesia. The sample size of the study was 73 manufacturing companies of Indonesia for the year 2022. Only 61 companies selected out of 73 companies. This study examined the most and least disclosed indicators. As per the study the most disclosed indicator was HR policy and least disclosed indicator was the separated HRA statement.
- 4.1.2 Das D. et.al. (2023)**, “Identifying the Prime Predictors of Human Resource Accounting Disclosure: A Literature Review”, this study found out the major factors that affect information of HR accounting disclosure. The study has used a literature search in a systematic way to gather important studies and articles. In this, variables have been merged with common name and meaning. Total number of variables selected 20 out of 54 variables. The study attempted to identify the variables and qualities associated with HR accounting disclosure. The study attempted to identify the most relevant variable contributing to the information of HR accounting disclosure. The paper's methodology was to check the contradictory comments and statements made by various authors in the literature.
- 4.1.3 Islam A. M. et.al. (2023)**, “Human resource accounting disclosure (HRAD) practices: Evidence from banking industry in Bangladesh”, this study explored the degree of HR accounting disclosure standards of 28 banks listed on Dhaka Stock Exchange. This study is based on a two-step procedure. To measure the scope of HRA disclosure in annual reports of selected banks for every year after that building the HRA Disclosure Index is the first step and second step is to grade the disclosure items. Descriptive statistics were used to analyze the data. The study found out that the HRA disclosures in banking organizations are in their inception. Various HRA information is disclosed by mercantile, standard and southeast banks collectively on the other side least information is disclosed by ICB Islamic Bank Ltd. The study has implications on present HRA practices and contributes significantly to the available literature on disclosure of human resource accounting.
- 4.1.4 Modupeola B. B. et.al. (2021)**, “Firm Structure and Human Resource Accounting Disclosures (HRAD) in listed Financial Firms in Nigeria”, this study attempted to investigate the firm structure and disclosures of human resource of Nigerian listed financial firms. The particular aim of the study was to examine the impact of leverage of the firm, size of the firm and financial performance of the firm on human resource disclosure in corporate reports. The sample size included all money deposit banks and insurance companies listed in Nigerian Stock Exchange. The duration of the study was the period from 2009 to 2018. The study collected secondary data from various secondary sources and annual reports of the selected firms. To analyse the data, the method of panel regression analysis was used. The study revealed that size of the firm has a positive and significant impact on HRA Disclosures. Leverage of the firm has an adverse impact on HRA Disclosures. And financial performance of the firm has a positive and significant impact on HRA Disclosures. The study recommended that the companies should increase, in the company's annual reports, the level of human

resource disclosures. Furthermore, firms need to employ advanced methods to analyse the value of human resources as an asset rather than a cost or expense.

4.1.5 Wiyadi et.al. (2021), “Practices of Human Resource Accounting Disclosure: A Comparative Study across ASEAN Countries”, this study examined HRA disclosure practices among top-ranked firms in Indonesia, Malaysia, Vietnam, the Philippines, Thailand, and Singapore as evaluated through the ASEAN Corporate Governance Scorecard. The assessment of HRAD procedures depended on sixteen criteria derived from prior studies. Through firms’ annual reports, a total of 195 firms were evaluated for 2014 and 2015. The study concluded that the highest HRA disclosure practices has been followed by Indonesia, subsequently followed by Thailand and others. It is additionally founded that separate HRA disclosure was essentially non-existent, with the exception of a few corporations in Malaysia and the Philippines. The study suggested that HRA disclosure techniques should be adopted for improved governance in ASEAN nations. Unusually, firms in Singapore have the level of HRA disclosure is lowest in contrast to other ASEAN nations.

4.1.6 Vaio A. D. et.al. (2020), “Human Resources Disclosure in The EU Directive 2014/95/EU Perspective: A Systematic Literature Review”, this study discovered the literature review on HR’s role in non-financial reporting in the EU Directive. The study provided quantitative review and conducted a bibliometric analysis on 108 publications from 2013 to 2019. The study found that research conducted on non-financial reporting in connection with the Directive emphasizes efficiency, faith, and the standard of disclosures in terms of social and environmental concerns, whereas the Directive’s human resources are still being investigated. The study extended to the current literature by organizing several studies on the subject. It serves as an opportunity for academicians to create further studies on non-financial disclosure that concentrate on human resources and associated sustainable business practices as important components of sustainable firms moving ahead of the SDGs.

4.2 Reviews related to impact and relationship of HRA Practices & Company’s Performance-

4.2.1. Lukman A. J. et.al. (2023), “An Evaluation of Human Resource Accounting on Corporate Performance”, this study investigated the impact of HRA on turnover, earnings per share (EPS) and return on capital employed. This study was descriptive in nature and used longitudinal research design. The random sampling technique was used for sample selection. Sample size was 29 out of 188 listed companies on Nigeria Stock Exchange as of March 2022. Duration of the study was four years from 2018 to 2022. Descriptive as well as inferential statistical tools were used. The findings of the study showed that HRA has a significant effect on company turnover, earnings per share and return on capital employed. Furthermore, including human resources as an asset rather than reporting them in the typical manner would make financial reports more valuable for decision making. As a result, the report recommended that listed companies develop a culture of valuing and expressing education, training, and continual retraining of their people resources to improve performance.

4.2.2. Tanjung R. A. et.al. (2023), “Exploring the Human Element: A Qualitative Study of the Use of Human Resources Accounting in an Organizational Context”, this study discovered the impact of HRA on different dynamics of organization. The study was used qualitative research design. The study found out impact of organizational performance on human resource accounting outcomes. The study suggested insights into benefits and challenges of adoption of HRA, integration of emerging technology, comparative analyses. The study concluded that the impact of organizational settings on HRA outcomes, focused on the importance of ethical behaviors. This study provide useful insights for academics, advising organizations and practitioners on how to strategically integrate HRA for comprehensive human resource management and long-term success.

4.2.3. Aremu O. P. et.al. (2023), “Human Resources Accounting and Profitability: Evidence from Consumer Goods Companies in Nigeria”, this study investigated the impact of HRA on the profitability of companies of consumer goods in Nigeria. Employee benefit was used as HR accounting variable while return on equity and net profit margin was used as profitability variable and control variable used as age of the company. Secondary data was used from various secondary sources. Sample size of the study listed 10 consumer goods on Nigeria stock exchange. Trend analysis and descriptive statistics were used to analyze the data. The Hausman test was used to test the hypothesis. The study concluded that there is an insignificant positive effect of employee benefit on NPM (net profit margin) and ROE (return on equity). As a result, the study recommended that to improve the profitability of the firms or organizations; there should be well-packaged employee benefits that should encourage employees to work hard.

4.2.4. K. S. Raghavendra (2022), “Human Resource Accounting Practices and its Impact on Managerial Performance: A Study”, this study focused on to study HRA practices in India and its different methods and models and the impact of HRA practices on performance of an organization. The researcher has analyzed 50 responses of HRA professionals of Bengaluru, Karnataka who are working in various reputed organizations. One sample T test,

percentage etc. were used to analyze the data. The study found out that the HRA practices have a significant impact on efficiency of organization and managerial performance. The study suggested that the mandatory use of HRA, which can result in a fair depiction of firm valuation and improve overall corporate growth.

- 4.2.5. Abdullahi, O. M., et al. (2021),** “Nexus between Human Resources Accounting and Corporate Sustainability: Evidence from Listed Consumer Goods Companies in Nigeria”, this study focused on discovering the relationship between HRA and corporate sustainability of selected consumer goods firms listed in Nigeria. The specific objective was to study the impact of hiring cost, wages and salaries on corporate sustainability in Nigeria. Survey method is used as research design. Questionnaire was designed to collect primary data. Simple sampling technique was used for selection of sample. 9 out of 20 listed consumer goods firms were the population of the study due to COVID-19 restrictions. The study concluded that there is a positive association between HRA and corporate sustainability. The variables of HRA (hiring cost and wages & salaries) both have significant impact on corporate sustainability. The study recommended that to improve the living standard of employees, the corporations should ensure that salaries and wages should be paid efficiently and effectively. To ensure the sustainability of corporations, the hiring cost should ensure that qualified and expert personnel are employed to work efficiently and effectively.
- 4.2.6. Kusumastuti S. (2021),** “Company Characteristics, Performance, And Disclosure of Human Resource Accounting: Empirical Study of Banking Companies in Indonesia”, this study focused to analyze the effect of the company’s performance on HRA disclosure practices. The secondary data was used and analyzed with the multiple regression analysis method. The study concluded that the leverage, size of business, and capital adequacy ratio (CAR) has a positive impact on the human resource accounting disclosure. There is no significant impact of profitability and company age on human resource accounting disclosure. The study contributed to analysing company’s performance and assessment concurrently in respect of the human resource accounting of banking companies in Indonesia.
- 4.2.7. Khan S. (2021),** “Impact of human resource accounting on organizations’ financial performance in the context of SMEs”, this study discovered the impact of HRA on organizations’ performance. Components of the study were Human Capital Efficiency, Organization Profitability, Return on Assets, Return on Equity, HRA. The closed-ended questionnaire was used. Cronbach’s alpha was used to check the reliability of the data. The study focused on better understanding the influence of HRA on the overall financial performance of SMEs. HRA has been seen as a vital asset for several Saudi SMEs. Firms thought that they needed to invest in their people rather than other useless organizational tasks. Even so, the SMEs failed to receive a significant return on assets by HRA. Nonetheless, this analysis demonstrates that efforts towards successful HRA adoption and practices will result in considerable beneficial improvements in organizations' financial statements.
- 4.2.8. Odunayo A. O. et.al. (2020),** “Human Resource Accounting and Quality of Financial Reporting of Quoted Oil and Gas Companies in Nigeria”, this study discovered the impact of HR accounting on quality of financial reporting of oil and gas companies quoted in Nigeria. The study used ex-post-facto research design. The sample size of the study was 12 oil and gas Nigerian companies which was selected through purposive sampling technique. The secondary data was used from various secondary sources. The period of the study was 10 years from 2009 to 2018. In oil and gas firms, the human asset served as the foundation for these improvements, according to the empirical evaluation of financial reporting quality, which showed $F(8.133) = 65.13$ ($P - \text{value} = 0.000$); Adjusted $R^2 = 0.315$ and $F(5.102) = 217.6$ ($P - \text{Value} = 0.000$); Adjusted $R^2 = 0.323$. The study came to the conclusion that the quality of financial reporting of Nigerian oil and gas businesses that are listed is significantly impacted by human resource accounting.
- 4.2.9. Asamu J. K. et.al. (2020),** “Human Resource Accounting and Disclosure: An Evolving Indicator of Performance in Selected Nigerian Stock Exchange Listed Manufacturing Companies”, this study investigated the impact of HRA on operational performance as well as financial performance of selected listed manufacturing companies in Nigeria. The ex-post-facto design of research and secondary data were used for the study. The data has been analyzed by descriptive as well as inferential statistics. The findings of the study indicated that regarding profitability, a co-efficient value of 0.6885, a t-value of 0.872, and a p-value of 0.3933. The favorable co-efficient value suggested that the operational effectiveness and profitability of certain manufacturing enterprises listed on the Nigeria Stock Exchange are positively correlated. The study concluded that the operational performance of the companies under examination is highly influenced by profitability. The result bolsters the claim that highly successful businesses use more human resources, which is reflected in how they run their business and contributes to their high performance and profitability.

4.2.10. Olajide O. P. et.al. (2019), “An Empirical Study of Human Resource Accounting Disclosure on Financial Performance of Selected Listed Firms in Nigeria”, this study investigated the effect of HRA disclosure on Nigerian selected listed firm’s financial performance. The study used of secondary data. The sample size was 188 manufacturing as well as non-manufacturing Nigerian Stock Exchange firms. The duration of the study was financial year 2011-15. Simple random sampling technique was used. Out of 188 firms selected 20 firms for the study. Descriptive statistics, correlation and regression were used to analyze collected data. The study found out that each of the dependent and independent variables had a positive co-efficient value of 0.565. In light of these results, the research suggests that listed companies adopt a reporting culture that capitalizes on their reports and fully discloses all human resource expenses in order to increase their overall productivity. In order to improve stakeholders' assessment of the statement of financial position and note to the accounts, the regulatory authority should also set out an appropriate threshold of reporting human resource accounting in the financial statements of the listed enterprises.

4.3 Reviews related to Other Aspects of HRA-

- 4.3.1 David O. M. et.al. (2023)**, “Human Resource Accounting and international financial reporting standards (pros and Cons)”, this study investigated the association between IFRS and HR accounting. Exploratory method was used for the study, as multiple sources and literatures relating to the subject matters IFRS and HR Accounting were reviewed in order to establish a link between IFRS and HR Accounting and as a result reach a reasonable conclusion about the relationship between the two. The decision-making process for accounting policies has been directly affected by adoption of the IFRS. The study found out that there is no particular IFRS which deals with HRs. The accuracy of financial reporting has some unethical problems that affect negatively but HR accounting might resolve this problem.
- 4.3.2 Gupta A. K. (2021)**, “A Study of Human Resource Accounting”, this study investigated to know about HRA as well as different methods of HRA. This study was based on secondary data. This study focused on objectives, significance and methods of human resource accounting. The study revealed that the concept of HRA has yet to acquire popularity in India, but it has begun. A few companies admire their human resources and include this information in their yearly reports. The field of human resources accounting in our country is still in its early stages of development. Much more study is required for its successful deployment.
- 4.3.3 Hiremath S. D. (2020)**, “A Study on Human Resource Accounting Practices in India”, this study examined the concept, significance, identify issues and challenges of human resource accounting practices. The study focused on secondary data. The study discovered that many public sector undertakings adopted and followed the methods of HRA. On the contrary, many private sector companies have not adopted any method and technique. The Indian universities have to need more research on HR development to overcome these positives and negatives. The study suggested that more organizations have to accept HRs as assets, Companies Act has to make proper provisions to determine and disclosure of HR, and the Indian universities have to evolve large amounts of research about HRA.
- 4.3.4 Bansal A. et.al. (2019)**, “An Empirical Evaluation on Performance of Organization through Human Resource Accounting (HRA): A Study on Selected Corporate Units of India”, this study focused to analyse the significant of HRA practices for reporting of corporate financials. This study is both an empirical as well as a theoretical investigation. The data was collected from various secondary sources as well as primary sources from selected companies. 300 respondents have been selected for the primary data. 30 companies have been selected out of 200 companies as a sample size that were listed in Bombay Stock Exchange Sensex (BSE 200). Reviewing their application is crucial since India, a nation with significantly diverse settings, has several challenges. Special studies that are occasionally required to determine labour costs, the cost-benefit analysis of training, the cost of turnover, etc., need collaboration between data preparers and users since several value decisions and presumptions need to be made and understood. Although HRA has not yet passed the test of usage, it shows potential. Before HRA might potentially be helpful to operating managers, much more study is required.

5. FINDINGS OF THE STUDY

- i. The most disclosed indicator of HRA disclosure practices was HR policy and least disclosed indicator was the separate HRA statement.
- ii. The decision-making process for accounting policies has been directly affected by adoption of the IFRS.
- iii. The HRA disclosures in banking organizations are in their inception.
- iv. HRA has a significant effect on company turnover, earnings per share and return on capital employed.
- v. HRA practices have a significant impact on efficiency of organization and managerial performance.
- vi. The concept of HRA has yet to acquire popularity in India, but it has begun. A few companies admire their human resources and include this information in their yearly reports.

- vii. The leverage, size of business, and capital adequacy ratio (CAR) has a positive impact on the HRA disclosure. There has no significant impact of profitability and company age on HRA disclosure.
- viii. The mandatory use of HRA, which can result in a fair depiction of firm valuation and improve overall corporate growth.
- ix. HRA has not yet passed the test of usage, it shows potential. Before HRA might potentially be helpful to operating managers, much more study is required.
- x. HRA disclosure techniques should be adopted for improved governance in ASEAN nations.

6. CONCLUSION

To summarize it concisely, we believed a significant amount of theoretical and empirical study had been conducted on human resource accounting models, disclosures, and assessment for evaluating human resources. Including human resources as an asset rather than reporting them in the typical manner would make financial reports more valuable for decision making. The various studies suggested that to improve the living standard of employees, the corporates should ensure that salaries and wages should be paid efficiently and effectively. The companies should increase, in the company's annual reports, the level of human resource disclosures.

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