Sachetas
An International, Peer Reviewed, Open Access & Multidisciplinary Journal
E-ISSN: 2583-312X

HUMAN RESOURCE ACCOUNTING IN INDIA: EMERGING TRENDS, CHALLENGES, AND FUTURE DIRECTIONS

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Abstract

The transition of the Indian economy from an agrarian-industrial hybrid to a knowledge-intensive service economy has fundamentally altered the determinants of corporate valuation. Yet, conventional financial reporting frameworks continue to treat human capital expenditures as period costs rather than long-term investments. Human Resource Accounting (HRA), which seeks to quantify the economic value of employees, remains a voluntary and non-standardized practice in India. This paper conducts a longitudinal analysis of HRA practices among Indian corporations, evaluates the impact of digital transformation and regulatory shifts on human capital measurement, identifies persistent structural and epistemological barriers, and proposes an integrated reporting framework for the future. The study argues that while traditional capitalization models have failed to gain accounting legitimacy, the convergence of HR analytics, ESG mandates, and artificial intelligence offers a new paradigm for non-financial human capital disclosure.

Keywords: *Human Resource Accounting, Ind-AS, Intangible Assets, Human Capital Efficiency, BRSR, HR Valuation Models*

Editorial Record

First submission received:
February 14, 2026

Revisions received:
April 16, 2026

Accepted for publication:
June 09, 2026

Cite this article

Mevada, J. (2026). Human Resource Accounting in India: Emerging Trends, Challenges, and Future Directions. Sachetas, 5(2), 1-13. https://doi.org/10.55955/520001

INTRODUCTION

1.1 Introduction

The Indian corporate landscape has undergone a metamorphic shift since the economic reforms of 1991. The proliferation of information technology, pharmaceutical research, financial services, and digital commerce has repositioned human intellect as the primary factor of production. Organisations routinely allocate substantial financial resources toward recruitment, competency development, retention strategies, and employee wellbeing. Paradoxically, the Generally Accepted Accounting Principles (GAAP) mandate the immediate write-off of these expenditures as revenue expenses, thereby systematically understating corporate assets and overstating short-term profitability. Human Resource Accounting emerged as a corrective mechanism to this accounting anomaly. Flamholtz (1985) defined HRA as "accounting for people as organisational resources," emphasising the measurement of acquisition costs, replacement costs, and economic value. In the Indian context, the practice gained marginal traction during the 1970s through public sector undertakings such as Bharat Heavy Electricals Limited and Oil and Natural Gas Corporation, which experimented with Lev and Schwartz's present value model. However, five decades later, HRA remains confined to supplementary schedules, largely ignored by institutional investors and credit rating agencies.

This article examines the dissonance between the rhetorical acknowledgement of human capital as a strategic asset and its continued exclusion from financial statements. It traces the evolutionary trajectory of HRA in India, evaluates contemporary trends reshaping the discourse, interrogates the impediments to mainstream adoption, and proposes a pragmatic pathway for future integration within the broader framework of integrated reporting.

1.2 History of HRA in India

India has a long history with HRA. In 1995-96, Infosys became the first Indian company to value its human resources. At that time, Infosys showed the value of its employees as Rs. 184 crores, which was much more than the value of its physical assets (Rs. 84 crores) . This was a big moment for HRA in India.
After Infosys, many other companies also started showing HRA information. Companies like Bharat Heavy Electricals Limited (BHEL), Hindustan Petroleum Corporation Limited (HPCL), Oil and Natural Gas Corporation (ONGC), and Steel Authority of India Limited (SAIL) began to include HRA in their annual reports.
However, over time, many companies stopped this practice. Today, very few Indian companies show HRA in their annual reports. Some studies have found that only 1% to 16% of Indian companies practice HRA.

1.3 Why HRA is Important

HRA is important for many reasons:

1. **For Managers:** HRA helps managers understand the true value of their employees. It helps them make better decisions about hiring, training, and retention.
2. **For Investors:** When investors know the value of a company's human resources, they can make better investment decisions.
3. **For the Company:** HRA helps the company understand the return on investment in employee training and development.
4. **For the Economy:** When companies measure human capital, it helps the government and policymakers understand the true strength of the economy.

1.4 Current Situation in India

In recent years, there have been new developments that affect HRA in India. The Securities and Exchange Board of India (SEBI) has made it mandatory for the top 1000 listed companies to file Business Responsibility and Sustainability Reports (BRSR). These reports require companies to disclose information about their employees, including diversity, training, and safety.
Also, new technology like Artificial Intelligence (AI) and Big Data is changing how companies track employee information. Companies now have HR analytics platforms that give them real-time data about their workforce.

1.5 The Conceptual Architecture of Human Resource Accounting

1.5.1 Theoretical Foundations

The theoretical foundation of HRA is based on two different but related schools of thought. The first, grounded in classical economics, sees human capital as similar to physical capital, which can produce future economic benefits. Schultz (1961) and Becker (1964) viewed education and training as investments that provide returns in productivity. This perspective supports the idea of treating human resource spending as an investment. The second school, from organizational psychology, focuses on measuring individual and group value using behavioral factors. These factors include leadership effectiveness, innovation ability, and employee engagement.

1.5.2 Valuation Models in Indian Practice

Indian corporations have historically relied upon three principal valuation methodologies, each possessing distinct limitations:
The Lev and Schwartz Model (1971) remains the most widely adopted approach due to its computational simplicity. The model calculates the present value of future earnings streams discounted at the cost of capital. Public sector enterprises favoured this model because salary structures were predictable and attrition rates relatively stable. However, the model's backward-looking orientation and reliance on static discount rates render it inadequate for volatile knowledge industries characterized by frequent job transitions and non-linear career trajectories.
The Flamholtz Stochastic Rewards Model (1971) introduced probabilistic assessments of employee role transitions and service tenure. This model acknowledges that employees occupy multiple positions throughout their organizational lifecycle, each generating different value contributions. Despite its theoretical superiority, Indian adopters have found the model excessively complex, requiring sophisticated actuarial inputs that human resource departments rarely possess.
The Replacement Cost Model estimates human asset value based on the expenditure required to recruit, select, train, and develop substitutes possessing equivalent competency levels. While intuitively appealing to management, this model conflates cost with value and fails to capture the synergistic contributions of established teams and accumulated organizational knowledge.
The fundamental inadequacy of these models lies not in their mathematical formulations but in their philosophical orientation. They attempt to measure what employees cost rather than what they create, thereby perpetuating the very expensing logic they seek to transcend.

1.6 The Indian Regulatory Landscape and Its Implications

1.6.1 The Company's Act and Accounting Standards

The Companies Act, 2013, despite its emphasis on corporate governance and stakeholder engagement, remains silent on human capital valuation. Schedule III of the Act prescribes the format of financial statements and contains no provision for reporting human assets. The

Institute of Chartered Accountants of India has issued no mandatory standard equivalent to AS 26 (Intangible Assets) that encompasses human resources. This regulatory vacuum effectively permits, but does not encourage, HRA disclosures.

1.6.2 Ind-AS and the Intangibles Conundrum

The merging of Indian Accounting Standards with International Financial Reporting Standards has, in some ways, made it harder to adopt Human Resource Accounting (HRA). Ind-AS 38 defines an intangible asset as a non-monetary asset that has no physical form and can be identified. To meet the identifiability requirement, the asset must come from contractual or legal rights or be separable. It should be capable of being sold, transferred, or exchanged on its own. Human resources do not meet either of these criteria. Employees cannot be owned, traded, or separated from the company in any legally binding way. As a result, even the most advanced HRA valuations cannot be recognized in Ind-AS compliant financial statements.

1.6.3 The BRSR Mandate: An Unintended Catalyst

The Securities and Exchange Board of India's mandate requiring the top 1000 listed entities to submit Business Responsibility and Sustainability Reports has inadvertently created the most significant impetus for human capital measurement in Indian corporate history. Section C of the BRSR format mandates quantitative disclosures pertaining to employee turnover ratios, training expenditures, gender diversity metrics, and occupational health statistics. While these disclosures are not monetized, they represent the first instance of mandatory, standardized human capital reporting in India. This regulatory development provides an empirical foundation upon which future monetization models can be constructed.

1.7 Emerging Trends Reshaping Human Resource Accounting

1.7.1 The Democratization of HR Analytics

The digitization of human resource functions through cloud-based enterprise resource planning systems has generated unprecedented volumes of workforce data. Indian information technology enterprises, facing compressed billing cycles and margin pressures, have pioneered the use of workforce analytics to optimize resource deployment. Metrics such as Revenue Per Employee, Human Capital Return on Investment, and Value Added Per Employee are now routinely computed at project and organizational levels.

Unlike traditional HRA models that required specialized valuation exercises conducted annually, contemporary HR analytics enables continuous, real-time assessment of human capital productivity. This temporal shift from periodic to perpetual measurement fundamentally alters the utility proposition of HRA. Organizations no longer require HRA to determine the absolute value of their workforce; they require frameworks to interpret streaming data and diagnose productivity variations across business units and geographical locations.

1.7.2 Human Capital Efficiency as an Investor Metric

Institutional investors and financial analysts have traditionally disregarded HRA disclosures, perceiving them as public relations exercises. This indifference is attenuating. The proliferation of environmental, social, and governance investing has sensitized capital markets to workforce-related risks. Proxy advisory firms now routinely evaluate portfolio companies on human capital management parameters. Credit rating agencies, including CRISIL and ICRA, have incorporated human resource attrition rates and succession planning adequacy into their corporate governance assessments.

This investor-driven demand for human capital transparency differs qualitatively from earlier academic advocacy. Investors seek standardized, comparable, and auditable metrics rather than idiosyncratic valuation models. The emphasis has shifted from how much are employee's worth to how effectively is human capital being deployed.

1.7.3 The Start-up Economy and ESOP Valuation

India's start-up ecosystem, comprising over 60,000 registered entities, has introduced novel complexities in human capital valuation. Employee Stock Option Plans constitute a significant component of compensation architecture in ventures lacking positive operating cash flows. The valuation of sweat equity and employee options for tax purposes under the Income Tax Act, 1961, necessitates rigorous estimation of enterprise value and the proportional contribution of employee efforts.

This regulatory requirement has compelled venture capital-funded entities to engage valuation professionals who employ sophisticated option pricing models. While these valuations serve specific statutory purposes, they have inadvertently generated substantial institutional expertise in human capital quantification that can potentially be extrapolated to broader HRA applications.

1.7.4 Artificial Intelligence and Predictive Human Capital Modeling

The application of machine learning algorithms to workforce data represents the most consequential development in human capital measurement since Flamholtz's stochastic formulations. Indian financial institutions and business process outsourcing firms are deploying predictive attrition models that identify employees exhibiting elevated departure probability based on behavioral, performance, and compensation variables.

These predictive capabilities address the most persistent criticism leveled against traditional HRA: the unreliability of service tenure assumptions. Rather than assuming static probabilities derived from historical averages, contemporary systems generate dynamic,

individualized estimates of remaining service life. This technological advancement substantially enhances the reliability of present value calculations and potentially satisfies the measurement reliability criterion mandated by accounting standards.

1.8 Persistent Challenges and Structural Impediments

1.8.1 The Identification Paradox

The most intractable obstacle to HRA adoption is philosophical rather than technical. Accounting recognition requires the reporting entity to demonstrate control over the resource in question. Indian companies exercise no legal control over their employees, who retain constitutional freedom to terminate employment with minimal notice. Attempts to enforce contractual restrictions through non-compete clauses have been consistently invalidated by Indian courts as restraint of trade.

This absence of control precludes asset recognition regardless of measurement sophistication. The human resources upon which organizational prosperity depends are, in accounting terminology, not assets but externally held resources to which the entity has temporary access. Until this fundamental conceptual contradiction is resolved, HRA cannot transition from supplementary disclosure to financial statement recognition.

1.8.2 Tax Disincentives

The Indian Income Tax Act, 1961, draws a rigid distinction between capital and revenue expenditures. Capitalization of human resource costs, even if undertaken for internal management purposes, confers no tax benefit. Expenditures on recruitment, training, and employee welfare remain deductible only when expensed. Organizations adopting HRA consequently experience the worst of both regimes: they incur the compliance costs of valuation while forfeiting no tax advantages. Rational economic behavior therefore militates against HRA adoption.

1.8.3 Skepticism from the Accounting Profession

Chartered accountants in India, trained in traditions of objectivity and verifiability, remain deeply skeptical of HRA. The statutory auditor's report attests to the truth and fairness of financial statements. Valuations derived from subjective discount rates, speculative career progression assumptions, and probabilistic attrition estimates cannot be verified through independent audit procedures. Auditors consequently qualify or disclaim opinions on financial statements incorporating HRA valuations, effectively rendering such disclosures inadvisable for listed companies concerned with regulatory compliance.

1.8.4 Organisational Resistance

Human resource valuation, when publicly disclosed, renders visible the differential contributions of employee cohorts. Senior executives and specialised professionals inevitably emerge as disproportionately valuable relative to operational and support staff. Indian industrial relations jurisprudence, shaped by egalitarian constitutional values, does not countenance employment differentiation based on monetised employee value. Management apprehensions regarding wage parity demands, union negotiations, and employee morale considerations constitute significant but underacknowledged barriers to HRA transparency.

1.9 Future Directions and Policy Recommendations

1.9.1 Reconceptualising the Measurement Object

The future of human resource accounting in India lies not in perfecting capitalisation methodologies but in redefining what is being measured. The objective should shift from determining what employees are worth to documenting what employees contribute. This reconceptualisation transforms HRA from a valuation exercise to a productivity measurement framework, aligning it with managerial accounting rather than financial reporting.

1.9.2 The Hybrid Reporting Architecture

This paper proposes a dual-layer reporting architecture for Indian corporations. The first layer, comprising statutory financial statements, should continue to expense human resource costs in accordance with Ind-AS requirements. The second layer, comprising an Integrated Human Capital Statement, should disclose:

1. **Human Capital Investment Disclosure:** Total expenditure on recruitment, training, wellbeing, and compensation, classified by functional category and geographical segment.
2. **Human Capital Efficiency Ratios:** Value added per employee, human capital return on investment, and revenue per employee, benchmarked against industry peers.
3. **Workforce Stability Indices:** Attrition rates stratified by performance quartile, tenure cohort, and critical skill category.
4. **Succession Adequacy Metrics:** Readiness indices for key leadership positions and critical technical roles.

1.9.3 Industry-Specific Standardisation

The Institute of Chartered Accountants of India, in collaboration with sectoral regulatory bodies, should develop industry-specific human capital disclosure standards. The information technology industry requires metrics pertaining to billable utilization rates, certification

density, and intellectual property contributions. The banking industry requires relationship manager retention rates and customer portfolio continuity indices. Manufacturing entities require safety incident rates and operational efficiency correlations. Uniform standards across disparate industries are neither feasible nor desirable.

1.9.4 Tax Rationalisation

The Central Board of Direct Taxes should consider introducing investment-linked incentives for expenditure on employee training and skill development. Classification of such expenditures as capital assets eligible for depreciation over the expected employment tenure would neutralize the existing tax disadvantage while incentivizing workforce upskilling aligned with national productivity objectives.

1.9.5 Integration with National Education Policy

The National Education Policy 2020 emphasizes lifelong learning and continuous skill certification. A standardized, digitally verifiable skill credentialing infrastructure, potentially leveraging blockchain technology, could enable the creation of portable human capital ledgers. Employees would possess authenticated records of their competencies, and employers could reliably assess replacement costs and productivity potentials. Such infrastructure would transform human capital measurement from organizational estimate to market-verified fact.

2. LITERATURE REVIEW

Gupta, S., & Sharma, R. K. (2021) This study used a longitudinal archival research method. The researchers analyzed annual reports of 50 large Indian companies from 1970 to 2020. They also reviewed academic publications, conference proceedings, and regulatory documents from ICAI and Ministry of Corporate Affairs. The data was analyzed using content analysis and trend analysis techniques. The study found that HRA in India has passed through four distinct phases. Phase one (1970-1985) was the pioneering phase when companies like BHEL and SAIL first experimented with HRA models. Phase two (1986-2000) was the consolidation phase when Infosys popularized the Lev and Schwartz model. Phase three (2001-2015) was the stagnation phase when interest in HRA declined following the dot-com bust. Phase four (2016-2020) is the revival phase driven by digital HR analytics. The study also found that despite early enthusiasm, only 12% of the companies studied continued HRA reporting beyond five years. **This review provides the historical context needed to understand why HRA has not become mainstream in India. It shows that early adoption did not lead to sustained practice, indicating deeper problems than mere lack of awareness.**

Venkatesh, N., & Mehta, P. (2022). This was a comparative case study of seven Indian companies known for HRA reporting: Infosys, TCS, BHEL, HPCL, ONGC, Reliance Industries, and Wipro. The researchers obtained annual reports for ten years (2012-2022) and analyzed which valuation models each company used. They also conducted semi-structured interviews with finance directors and HR heads of these companies to understand why specific models were chosen. The study revealed that the Lev and Schwartz model (future earnings discounted to present value) was the most commonly used model, adopted by five out of seven companies. However, interviews revealed that companies chose this model not because it was the most accurate, but because it was the easiest to compute with available data. The study also found that none of the companies used the same model consistently across all ten years. Companies frequently changed models, making year-to-year comparison meaningless. The researchers concluded that the multiplicity of models is a major barrier to standardization. **This review highlights that the lack of a single accepted valuation model prevents comparability across companies and over time. This finding supports the argument that methodological refinement alone will not solve HRA's problems.**

Aggarwal, K. (2024). This study looked at selected Indian listed companies to understand what HRA methods they use. The researcher examined the annual reports of these companies to see which valuation models were being used**.** The study found that most Indian companies that practice HRA use the Lev and Schwartz model. Companies like BHEL, HPCL, Infosys, and Satyam (now part of Tech Mahindra) have used this model. The study also noted that HRA is still struggling to be accepted in financial statements. The main problem is that employees do not meet the definition of an asset in traditional accounting. **This review gives us a list of companies that have practiced HRA in the past. It also tells us that the Lev and Schwartz model is the most popular. This information is used to select companies for the present study.**

Kaur, S. (2014). This study looked at companies listed on the NSE S&P CNX 500 index. The researcher examined the annual reports of these companies to see the extent of HRA disclosure. The companies were ranked based on how much HRA information they disclosed. The study found that HRA disclosures were very low in Indian companies. Only five companies out of 500 (just 1% of the sample) reported HRA in their annual reports. The study also found that even when companies made HRA disclosures, they were not consistent. Different companies used different methods, so the information could not be compared across companies. **This review shows that HRA adoption in India is very low. It also highlights the problem of inconsistency. This is an important finding because it shows that even when companies do HRA, the information is not useful for comparison.**

Thorat, P. L., Kaur, R., & Jagtap, P. (2026). This study used a mixed-method approach. The researchers collected data from 217 professionals working in 14 automobile companies in Pune. They used surveys and interviews to understand HRA awareness and adoption.

The study found a gap between awareness (52%) and adoption (35%) of HRA. The Balanced Scorecard model was rated highest (7.1 out of 10). The main barriers were a lack of top management support and too much reliance on Excel (40% of companies still use Excel for HR data). The study also found that Pune's auto sector (58% adoption) lags behind the global industry average (72%). **This review is important because it gives us specific numbers about HRA adoption. It also identifies the barriers to adoption. The finding about top management support is important is used in the analysis of the present study.**

Devarapalli, S., Mohapatra, L. M., & Ajay, R. (2023). This study examined 46 listed Indian companies over three years (2019-2021). The researchers developed a scoring system to measure the quality of integrated reporting, including human capital disclosure. They used statistical methods like pooled ordinary least square and fixed effect models. The study found that board size, firm size, and the COVID-19 pandemic had a positive impact on reporting quality. However, profitability and firm value did not show any significant relationship with reporting quality. The study also found that integrated reporting quality improved in 2021 compared to 2020. **This review shows that company size affects reporting quality. Larger companies are more likely to have better disclosure. This finding is used to select companies for the present study (all selected companies are large, established firms).**

3. RESEARCH METHODOLOGY

3.1 Research Design

This study uses a descriptive research design. The goal is to describe the HRA practices of selected Indian companies. This is a qualitative study that also uses some quantitative elements (counting and percentages).

3.2 Type of Data

This study uses only secondary data. Secondary data means information that has already been collected by someone else. In this study, the secondary data comes from the annual reports of companies.

3.3 Sample Selection

Selection of Companies: Ten Indian listed companies were selected for this study. The selection was based on three criteria:

1. The company must be listed on NSE or BSE
2. The company must be from a sector where human capital is important
3. The company must have a history of HRA disclosure or be a large, well-known company

The Ten Companies Selected:

No.	Company Name	Sector	Why Selected
1	Infosys	IT	First Indian company to adopt HRA
2	Tata Consultancy Services (TCS)	IT	Largest IT company in India
3	Wipro	IT	Known for human capital focus
4	HCL Technologies	IT	Major IT player
5	Reliance Industries	Conglomerate	Largest Indian company
6	HDFC Bank	Banking	Largest private bank
7	ICICI Bank	Banking	Major private bank
8	BHEL	Manufacturing	Historical HRA adopter
9	HPCL	Oil & Gas	Historical HRA adopter
10	ONGC	Oil & Gas	Known for HRA in past studies

Time Period: The study covers five financial years from 2020-21 to 2024-25.

3.4 Data Collection

The annual reports of the ten companies were downloaded from their official websites. For each company, five annual reports were collected (one for each year from 2020-21 to 2024-25). This gave a total of 50 annual reports for analysis.

3.5 Data Analysis Method

The data was analyzed using content analysis. Content analysis means reading through the annual reports and looking for specific information. In this study, the following information was collected from each annual report:

1. Whether the company shows HRA information
2. What HRA model is used (if any)
3. What is the value of human resources shown (if any)
4. What other human capital information is disclosed

A simple scoring system was used:

- Score 2: Full HRA valuation shown (monetary value of human resources)
- Score 1: Some HRA information shown (non-monetary)
- Score 0: No HRA information shown

3.6 Ethical Considerations

Since this study uses only publicly available information (annual reports), no ethical approvals were needed. All information used is already in the public domain.

4. DATA ANALYSIS

This chapter presents the analysis of the annual reports of the ten selected companies.

4.1 Overall HRA Adoption Among the Ten Companies

Table 4.1: HRA Adoption Among Selected Companies (2020-2024)

Company	Sector	2020-21	2021-22	2022-23	2023-24	2024-25	Overall
Infosys	IT	Yes	Yes	Yes	Yes	Yes	HRA Adopter
TCS	IT	No	No	No	No	No	Non-Adopter
Wipro	IT	No	No	No	No	No	Non-Adopter
HCL Tech	IT	No	No	No	No	No	Non-Adopter
Reliance	Conglomerate	No	No	No	No	No	Non-Adopter
HDFC Bank	Banking	No	No	No	No	No	Non-Adopter
ICICI Bank	Banking	No	No	No	No	No	Non-Adopter
BHEL	Manufacturing	Yes	Yes	No	No	No	Discontinued
HPCL	Oil & Gas	Yes	Yes	Yes	Yes	Yes	HRA Adopter
ONGC	Oil & Gas	No	No	No	No	No	Non-Adopter

Finding: Out of the ten companies studied, only three companies (Infosys, HPCL, and BHEL) showed HRA information in their annual reports. However, BHEL stopped showing HRA after 2021-22. So currently, only two companies (Infosys and HPCL) consistently show HRA. This means only 20% of the selected companies practice HRA.

4.2 HRA Model Used by Adopting Companies

Table 4.2: HRA Models Used by Adopting Companies

Company	HRA Model Used	Human Capital Value (2024)	Notes
Infosys	Lev and Schwartz Model	Not disclosed separately	Included in Intangible Assets
HPCL	Lev and Schwartz Model	Rs. 2,876 Crores (approx.)	Separate HRA statement
BHEL (until 2022)	Lev and Schwartz Model	Rs. 1,234 Crores (2022)	Discontinued after 2022

Finding: All three companies that practiced HRA used the Lev and Schwartz model. This matches the findings of Aggarwal (2024) that most Indian companies use this model.

What is the Lev and Schwartz Model?

The Lev and Schwartz model values employees based on their future earnings. The formula is:

Value of Employee = Sum of (Earnings from age t to retirement) / (1 + r)^(t - current age)

Where r is the discount rate, this model was developed by economists Baruch Lev and Aba Schwartz in 1971.

4.3 Trends in HRA Disclosure (2020-2024)

Table 4.3: Year-wise HRA Disclosure by Companies

Year	Infosys	HPCL	BHEL	Total Companies Showing HRA
2020-21	Yes	Yes	Yes	3
2021-22	Yes	Yes	Yes	3
2022-23	Yes	Yes	No	2
2023-24	Yes	Yes	No	2
2024-25	Yes	Yes	No	2

4.4 Quality of HRA Disclosure

Table 4.4: Quality of HRA Disclosure (Score 0-2)

Company	2020-21	2021-22	2022-23	2023-24	2024-25	Average Score
Infosys	1	1	1	1	1	1.0
HPCL	2	2	2	2	2	2.0
BHEL	2	2	0	0	0	0.8
Others	0	0	0	0	0	0.0

Scoring System:

- Score 2: Full HRA valuation with monetary value shown

- Score 1: Some HRA information (non-monetary)
- Score 0: No HRA information

Finding: HPCL has the best HRA disclosure with full monetary valuation every year. Infosys shows some HRA information but does not give a separate monetary value. BHEL had good disclosure until 2022 but then stopped completely.

4.5 Non-Monetary Human Capital Disclosure

Even companies that do not practice HRA still disclose some information about their employees. This is because of SEBI's BRSR requirements.

Table 4.5: Non-Monetary Human Capital Disclosure (2024-25)

Company	Total Employees	Attrition Rate	Training Hours	Diversity Ratio
Infosys	3,17,000+	12.3%	22 hours/employee	41% women
TCS	6,08,000+	11.9%	20 hours/employee	38% women
Wipro	2,50,000+	14.5%	18 hours/employee	35% women
HCL Tech	2,27,000+	13.2%	21 hours/employee	36% women
Reliance	3,90,000+	8.2%	15 hours/employee	12% women
HDFC Bank	1,80,000+	15.1%	35 hours/employee	26% women
ICICI Bank	1,50,000+	14.8%	32 hours/employee	24% women
BHEL	30,000+	4.5%	40 hours/employee	8% women
HPCL	12,000+	6.2%	45 hours/employee	9% women
ONGC	25,000+	3.8%	50 hours/employee	7% women

Finding: All ten companies disclose non-monetary information about their employees. This is because of SEBI's BRSR rules. However, only two companies (Infosys and HPCL) go beyond BRSR requirements and show monetary HRA valuation.

4.6 Comparison of Sectors

Table 4.6: Sector-wise HRA Adoption

Sector	Number of Companies	HRA Adopters	Non-Monetary Disclosure Only	No Disclosure
IT	4	1 (Infosys)	3 (TCS, Wipro, HCL)	0
Banking	2	0	2 (HDFC, ICICI)	0
Oil & Gas	2	1 (HPCL)	1 (ONGC)	0
Manufacturing	1	0	1 (BHEL)	0
Conglomerate	1	0	1 (Reliance)	0

Finding: IT companies have the highest HRA adoption (25% of IT companies in the sample). Banking and manufacturing companies have lower adoption. This makes sense because IT companies depend more on their people than other sectors.

4.7 Challenges Observed from Annual Report Analysis

Challenge	Evidence from Annual Reports
No regulatory requirement	Most companies do not show HRA even though they are large and profitable
Inconsistent practice	BHEL showed HRA for many years but then stopped
Different methods used	Even among adopters, the way of presenting HRA is different
Focus on non-monetary disclosure	Companies prefer to give non-monetary information (easy) rather than monetary valuation (difficult)

From analyzing the annual reports, the following challenges were observed:
Table 4.7: Challenges in HRA Adoption

4.8 Summary of Data Analysis

The main findings from the data analysis are:

1. Only 20% of the selected companies practice HRA (2 out of 10)
2. The Lev and Schwartz model is the only model used
3. HRA adoption is declining (BHEL stopped in 2022)
4. IT sector has the highest HRA adoption
5. All companies now provide non-monetary human capital information because of BRSR
6. Monetary HRA valuation is very rare

5. FINDINGS AND CONCLUSION

5.1 Summary of Findings

Based on the analysis of annual reports of ten Indian listed companies over five years, the following findings emerge:

Finding 1: HRA adoption is very low in India.

Only 20% of the selected companies (Infosys and HPCL) currently practice HRA. BHEL used to practice HRA but stopped. This matches the findings of Kaur (2014) who found that only 1% of companies practiced HRA. It also matches Aggarwal (2024) who found that HRA is still struggling for acceptance.

Finding 2: The Lev and Schwartz model is the most commonly used HRA model.

All three companies that practiced HRA (Infosys, HPCL, BHEL) used the Lev and Schwartz model. This matches the findings of Aggarwal (2024) who found that most Indian companies use this model.

Finding 3: HRA adoption is declining, not increasing.

BHEL stopped showing HRA in 2022. No new company has started showing HRA. This is a worrying trend. It shows that after initial enthusiasm, companies are moving away from HRA.

Finding 4: IT companies lead in HRA, but still only 25% of IT companies practice it.

Infosys, the pioneer of HRA in India, still practices it. But other large IT companies like TCS and Wipro do not show HRA. This is surprising because these companies depend heavily on their employees.

Finding 5: Non-monetary human capital disclosure is now universal.

Thanks to SEBI's BRSR requirements, all ten companies now disclose information about their employees. They share data on total employees, attrition rate, training hours, and diversity. However, this is not the same as HRA because no monetary value is assigned.

Finding 6: There is no standardization in HRA reporting.

Even among the two companies that practice HRA, the way they present information is different. Infosys includes HRA in intangible assets. HPCL has a separate HRA statement. This makes comparison difficult.

5.2 Discussion of Findings

The findings of this study raise an important question: If HRA is so important, why do so few Indian companies practice it?
Based on the literature review and analysis, the reasons are:

1. **No Legal Requirement:** SEBI and ICAI have not made HRA mandatory. Companies only do what they are required to do by law.

2. **Conceptual Problem:** Under accounting rules, an asset must be "controlled" by the company. Companies do not control their employees because employees can leave anytime.
3. **Difficulty in Measurement:** It is very hard to predict how much value an employee will create in the future. Unlike machines, people are unpredictable.
4. **No Single Accepted Method:** There are many HRA models. Companies do not know which one to use. This leads to confusion.
5. **Cost of Implementation:** Setting up an HRA system costs money. Companies do not see the benefit of spending this money.
6. **Lack of Top Management Support:** As Thorat et al. (2026) found, without support from the top, HRA cannot succeed.

5.3 Emerging Trends

Despite low adoption, some trends are emerging:

Trend 1: BRSR is making human capital disclosure mandatory.

SEBI's BRSR rules require companies to disclose information about their employees. This is not full HRA, but it is a step in the right direction.

Trend 2: HR analytics is growing in companies.

Companies are using technology to track employee data. This data can be used for HRA in the future.

Trend 3: ESG investing is creating demand for human capital information.

Investors are now asking companies about how they treat their employees. This is creating pressure for better disclosure.

5.4 Future Directions

Based on the findings, the following future directions are suggested:

Direction 1: Focus on non-monetary disclosure, not balance sheet valuation.

Instead of trying to put employees on the balance sheet (which may never happen), companies should focus on providing useful non-monetary information about their human capital.

Direction 2: Use technology for real-time HRA.

AI and big data can help companies track employee value in real-time. This is more useful than an annual number.

Direction 3: Standardize HRA reporting.

ICAI or SEBI should create a standard format for HRA reporting. This will make it easier to compare companies.

Direction 4: Link HRA with BRSR.

The BRSR framework can be expanded to include monetary HRA valuation. This will make HRA part of mandatory reporting.

Direction 5: Start with internal HRA, not external reporting.

Companies should first use HRA for internal decision-making. Once they see the benefits, they can start external reporting.

5.5 Conclusion

Human Resource Accounting in India has a long history but limited success. This study of ten leading Indian companies shows that only 20% of them practice HRA. The number is actually declining, with BHEL stopping its HRA practice in 2022.

The main reason for this is that HRA is not mandatory. Companies do what the law requires, and the law does not require HRA. Also, there are conceptual problems. Employees do not meet the accounting definition of an asset because companies cannot "own" them or control them completely.

However, this does not mean that human capital information is not important. Investors, managers, and policymakers all need information about the workforce. The good news is that SEBI's BRSR rules now require companies to disclose non-monetary information about their employees. This is a positive step.

The future of HRA in India does not lie in trying to put employees on the balance sheet. That path has failed. Instead, the future lies in using technology (AI, analytics) to provide real-time, useful information about human capital. It also lies in integrating human capital disclosure with ESG and BRSR reporting.

In conclusion, HRA in India is at a crossroads. The old approach has not worked. But new technology and new regulations are creating new opportunities. Companies that recognize this and start measuring their human capital in meaningful ways will have an advantage in the future.

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APPENDIX

Appendix A: List of Annual Reports Analyzed

Company	Years Analyzed	Source
Infosys	2020-21 to 2024-25	www.infosys.com/investors
TCS	2020-21 to 2024-25	www.tcs.com/investor-relations
Wipro	2020-21 to 2024-25	www.wipro.com/investors
HCL Technologies	2020-21 to 2024-25	www.hcltech.com/investors
Reliance Industries	2020-21 to 2024-25	www.ril.com/investor-relations
HDFC Bank	2020-21 to 2024-25	www.hdfcbank.com/investors
ICICI Bank	2020-21 to 2024-25	www.icicibank.com/investor-relations
BHEL	2020-21 to 2024-25	www.bhel.com/investor-corner
HPCL	2020-21 to 2024-25	www.hpcl.com/investors
ONGC	2020-21 to 2024-25	www.ongcindia.com/investors

Appendix B: Sample HRA Disclosure from HPCL Annual Report 2023-24

HPCL shows a separate statement called "Value of Human Resources" in its annual report. The statement uses the Lev and Schwartz model. For 2023-24, the value of human resources was shown as Rs. 2,876 crores. The statement includes:

- Number of employees
- Average age of employees
- Average future earnings
- Discount rate used
- Total human capital value

Appendix C: Sample HRA Disclosure from Infosys Annual Report 2023-24

Infosys includes HRA in its "Intangible Assets" section. The company uses the Lev and Schwartz model but does not show the human capital value separately. The annual report includes a note explaining the HRA methodology.