

An Examination of the Policies and Practices for Human Resource Accounting Disclosures in Indian Public Sector Banks' Annual Reports (Post Mega Merger 2020)

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KEYWORDS

Human Resource Accounting, Policies, Disclosures, Practices.

ABSTRACT

Human resources help businesses achieve their objectives since they are natural reservoir of leadership, skill, knowledge, creativity, and talent. Still, the existing system of accounting is unable to adequately offer human resources value. Not only this, but we also found that Indian businesses disclose very little about human resource accounting (HRA) and its regulation. In addition, the HRA disclosures that businesses provide are not consistent, organised, or comparative between businesses in the same industry. As a result, we assess the degree to which certain Indian public sector banks measure and report on HRA. The current study looks into the degree of HRA practices and disclosures used by 12 public sector banks in India after the mega bank merger 2020. The study considered a 2-step process to determine the level of HRA related disclosures for these years in the annual reports of each of the 12 public sector banks. The first of the two steps are creating the HRA policies and disclosure index and the second step is rating the disclosure items. Descriptive statistics, tabulation, and graphical representation were used in the analysis of the data. The conclusion demonstrates that human resources accounting disclosures by banking institutions are still in their infancy. In the modern period, human resources have a strategic position. The true capital, particularly in information-based industries like banking, is the experience, knowledge, and skills that people possess. It serves as the primary predictor of productivity, profitability, and sustainability and provides investors worldwide with a foundation upon which to make decisions. Information asymmetry requires the disclosure of this significant organisational component. The study would try to analyze the current position of HRA Disclosure Practices prevailing in the public sector banks in India in comparison with the Disclosure Practices prevailing in these banks, taking into consideration both the importance of HR and HR Disclosures in this sector and the importance of the Banking Industry in the Indian Economy.

1. INTRODUCTION

In order to guarantee the expansion and advancement of any organisation, as well as its overall advancement, individuals' efficacy must be increased in the appropriate setting (Işık, 2010, 2023a b). Human resources are necessary for the operational effectiveness of the other resources. The human behaviour features unveil the underlying strength of the organization. The skills, traits, the perspectives and the personality of the employees as a result enhance an important factor of active and competent use of organizational assets (Knauf, 2011). The process of acquiring and reporting information regarding the human resources is human resource accounting, as defined by America Accounting Association (1973). To put personnel on the balance sheet, HRA was really first advocated in the 1960s; two main factors have been identified as harbouring the potential for development and expansion of a business enterprise: the active factors (human resources, who gather capital,



utilize natural resources, create economic organizations, and maintain the department) and the production's inactive factors (capital and natural resources). Among all the resources at hand, HR is the most fundamental in this sense. Only HR has the ability to make non-HR useful. This unquestionably elevates HR above non-HR. According to Likert (1967), the skill, drive, and overall efficacy of human organisation dictate every facet of a firm's operations. Nevertheless, it wasn't until the 1970s that the field of study gained widespread recognition. Similarly, the human resource concerns and strategies of evaluating these resources uniquely and significantly are noted in modern management challenges. International accounting has grown since single and double entry systems were introduced. The ideas and procedures of accounting human resource considerably benefited the field of accounting. However, conservatism and other accounting ideas and concepts limited usage and handling of human resources into the appropriate dimension. Prior research has been done on how human resources are treated and valued from an investment and cost perspective. Human capital reporting has garnered substantial global interest during the last 15 years from academic and professional circles (Stewart, 1994; Abeysekera and Guthrie, 2004; Bassi et al., 2000). The idea of HRA disclosure is still relatively new in developing countries like India, while businesses in developed countries generally share HR data in line with established norms. While it's not necessary, some of the Indian companies choose to freely share certain HR data (Hossain, et al., 2004). Few studies have examined HRA revelation from the perspective of emerging nations (Khan & Khan 2010). As a service company, the banking sector's most profitable resource is, no doubt, its human capital. Human resource disclosures are crucial in providing insight into the profitability, sustainability, and performance of the relevant bank, as well as the state of the economy in general. What once was treated as tactical capital, human resource now has accounting and disclosure components that are imperative for company success. The research study aims at ascertaining the disclosure policies and practices related to Human Resource Accounting in Indian public sector banks.

2. LITERATURE REVIEW

In line with Abheysekara and Guthrie (2004), the literature on HRA can be divided into three groups with regard to measuring and reporting HR. The first category makes an effort to develop various approaches for calculating and disclosing HR value (HRV). Researchers have developed a number of methods based on cost, value, and other HR components. But because the HRA process is subjective, few approaches have gained traction—with the exception of the Lev and Schwartz model, which was put forth by Lev and Schwartz in 1971. The majority of businesses use this approach for HR valuation, with minor adjustments made to meet specific requirements. The goal of the second category is to observe how HRA influences management and investor choices.

This group also includes numerous research projects aimed at comprehending the behavioural effects of HRA disclosures on managers, workers, and investors. The third research category looks into the different ways that businesses measure and report HR and HRA information through websites, company newsletters, and annual reports, among other channels. The most widely researched source in this aspect is the content analysis of annual reports. Apart from factors/explanatory variables that influence the disclosure practices, the papers in this aspect aim to examine the current HRA magnitude and informing attempts and their developments across firms and nations belonging to different sectors for influencing the practices. Our investigation in the third stage is a try to use content analysis of annual reports to examine the level of disclosures of HRA information by Indian public sector banks. Finding the production's inactive factors ng out whether or not there are substantial differences between the banks' HRA disclosures is the study's goal after creating the HRA disclosure index (HRADI).

Author's Name	Title	Findings
Vishwanath, (2023)	Quantification of Human Resources: A Systematic Review of HR in India	The study emphasized on the current status and importance of HRA in Indian companies and exploring the influencing factors of HRA. The findings of the research can be used as a reference for management researchers in advancing interdisciplinary research in human resource accounting areas.
Islam et al., (2023)	Human resource accounting disclosure (HRAD) practices: Evidence from banking industry in Bangladesh	The finding demonstrates that human resources accounting disclosures by banking institutions are still in their early stages. The banks that jointly release the most HRA information are Standard, Southeast, and Mercantile Banks; the bank that releases the least information is ICB Islamic Bank Ltd. This study contributes to the corpus of knowledge already there in the field of HRA disclosure and has implications for contemporary professional practice. The reference this



		research adds to other researchers is the facilitation of further interdisciplinary research in the areas of HRA.
Kumar & Agrawal, (2023)	A Study on Disclosure of Human Resource Accounting in Selected Public and Private Sector Companies in India	As per the study the basic ideas of human resource accounting (HRA) and financial accounting are similar in that HRA views human resources as capital rather than as expenses, just as financial accounting does when record the costs of assets like buildings and machinery. As such, it demonstrates the commitment the company gives to its HR and the ways in which their values evolve over the period. This intricate method assesses how well people are used inside a business and the efficacy of personnel management operations. It entails quantifying the expenses that a company bears when it searches for, chooses, employs, trains, and develops human resources. Determining the human contribution is crucial for both companies and nations, and HRA is the sole tool available for this analysis.
Hasan ul Moin & Qureshi, (2023)	The Impact of Human Resource Accounting on Profitability: A Study of Listed Textile Firms on PSX	The findings of the study revealed that employee costs have a positive influence on financial functioning, whereas the number of employees has a considerable negative impact. To increase the company's profitability, the report advises investing in its workforce. Furthermore, human resource accounting ought to incorporate accounting rules and disclosures.
Yahaya et al., (2022)	Human resource accounting contribution to the profitability of Nigerian publicly traded Conglomerate companies	Evaluation of the effect of HRA on the cost effectiveness of Nigerian listed multinational companies is the goal of this study. The findings indicate that the costs associated with employee development and training, as well as adjustments to employee pay and benefits after employment, all considerably and favourably affect the earnings of Nigerian multinational enterprises.
(Vithana et al., 2021)	Human Resource Disclosures in UK Corporate Annual Reports: To What Extent Do These Reflect Organizational Priorities Towards Labour?	The study's conclusions show that: (i) while the scope of HRD has expanded to include more procedural and sustainable disclosures, the evolution of HRD towards a more thorough and in-depth form has remained relatively ltd.; and (ii) there is a positive correlation among the company's HRD level and its employee relation ideology (unitarism). In theory, we view HRD as an endeavor to maintain credibility in the face of evolving social norms and as a duplication of an organization's strategy for dealing with a critical stakeholder—unitarist relations with labour. Scholars contribute to the scant literature by examining the extent and factors influencing HRD, as prior studies have tended to incorporate employee-related disclosures under the umbrella of social, ethical, or intellectual capital.
Adejuwon et al., (2020)	Corporate Determinants and Human Resource Accounting Disclosure of Listed Banks in Nigeria	The study makes the recommendation that, in order to improve their social standing and lower potential agency expenses, Nigerian listed banks be required to publish accounting information related to human resources. Additionally, the study adds to the models already in place by illustrating particular characteristics that gauge the factors influencing the human resource accounting disclosure of Nigerian listed banks.



Kučera (2019)	Human Resource Accounting: The Football Sector	HRA involves reporting the disclosure of HR in a balance sheet or statement of financial position. The research section ends with an examination of the financial statements of European football clubs since the sports industry is the only one in which it is possible to genuinely trace human resources amid assets. The contracts with players and the players themselves are listed there as intangible assets in accordance with IAS 38 Intangible Assets.
INUA, (2018)	Achieving a consensus on Human Resources Accounting: A review of Literature	The study points out the necessity of more thorough research projects and quantitative approaches for the area of HRA. It also highlights the importance of financial reporting standards in fostering a consensus that will facilitate future developments in this area of study.
Raymond Asika, (2017)	Appraisal of Human Resource Accounting on Profitability of Corporate Organization	The results of the study showed that raising worker's salaries has a positive impression on an organization's profitability and that the size of the rise also affects profitability. An additional discovery indicates that employee retirement benefits positively impact the profitability of the organization. The study suggests, among other things, that the appropriate authorities investigate the possibility of developing a financial reporting standard for activities related to human resources. Additionally, that company ought to improve staff retention of education and training in order to prevent the waste of intelligent investment.
Sharif Hossain, (2015)	Valuation and Disclosure of Human Resource Accounting (HRA)	While businesses worldwide report their human resource-related costs in their annually submitted reports, they are unable to disclose the skills of their "Human Capital" or the manner in which these resources are employed. Notwithstanding the omission of knowledge workers' value on the balance sheet, the auditor assures in his report that it presents an authentic and unbiased portrayal of the company's circumstances. The primary goal in writing this paper was to compile several models and assumptions, which are referenced and demonstrated here in order to provide accurate human resource disclosure and value in the financial statements.
Kaur et al., (2014)	Human Resource Accounting Disclosure Practices in Indian Companies	HR help businesses achieve their objectives because of their natural reservoir of leadership, skill, knowledge, creativity, and talent. Nevertheless, the worth of human resources cannot be provided by the current accounting system. We discover that the disclosure of human resource accounting (HRA) is extremely low among Indian enterprises. Out of the sample set of companies, only 5 companies publish HRA in their report, representing a mere 1% of the total. In addition, the HRA disclosures that businesses provide are not consistent, organized, or comparative between businesses in the same industry.



Kashive (2013)	Importance of human resource accounting practices and implications of measuring value of human capital: Case study of successful PSUs in India.	After comparing the human resource accounting (HRA) systems of two foreign companies, WM-data AB/LogicaCMG and Skandia AFS, with those of 3 companies in India, BHEL, NTPC, and Infosys, the study found that the Indian companies significantly trail their American and European counterparts in context of the quantity and calibre of intellectual capital (IC) measurement, reporting, and disclosure.
Joshi et al., (2012)	Human resource accounting system in selected Indian companies.	Using a 15-item index, the study looked into the HRA disclosure policies of four chosen companies and then graded them according to their HRA disclosure scores. The measurements were found to be subjective by the study.

Research on human resource accounting disclosure procedures has been done by numerous researchers. Flamholtz, 1985; Flamholtz, Bullen, & Hua, 2002; Akhtaruddin, 2005; Hermannson, 1964; Islam et al., 2023; Sackmann et al., 1989. Rahman et al., 2020; Ahmed, 2009; Ullah, 2013; Rahman et al., 2021; Ali & Barda, 2022; Wiyadi et al., 2021. The accounting literature first used HRA in the 1960s to quantify human worth as a goodwill's part (Flamholtz, 1985). Brummet, Flamholtz, and Pyle coined the expression "human resource accounting" for the first time in 1968.

Human resource accounting (HRA) was described as "the process of discovering and measuring data on human resources and distributing this information to interested parties" by the American Accounting Association's Committee on Human Resource Accounting in 1973. Decision-makers are encouraged to adopt a human resource viewpoint by HRA's informational support on the values and costs of human resources (Sackmann et al., 1989).

The emergence of human resource accounting is linked to the business community's rising realisation of the importance that major stakeholders place on moral and sustainable corporate operations. It is also essential to recognize that modern economies are shifting away from manufacturing and towards services, which has revived interest in human resource accounting. The problem of accounting for human resources in corporate contexts has been the subject of numerous empirical research. A number of academic studies have highlighted the need for human capital resources to be capitalised on a business's balance sheet rather than expensed in the profit and loss statements. Hermannson (1964) attempts to put a monetary value on the balance sheet for human capital in his seminal work on the valuation of human resources has been instrumental in solving the majority of workplace issues, according to Barney (1991). A company can maintain a competitive edge by having a human resource pool that competitors cannot equal or replicate, according to Barney. Regarding Flamholtz, Bullen, and Hua (2002), people should not be treated like variable costs, but rather as resources that must be managed over the long term.

Corporate organisations invest in human resources in order to generate future profits, according to Sveiby (1997). Therefore, rather than deducting human resources from current expenses when analysing a company, capitalization of human resources should be considered. The HRAD practices of banking establishments were investigated by Mohammad Ali et al. (2021) in a published study. The effect of organisational traits on HRAD in yearly reports—such as service duration, scale, profitability, total workforce, and page count—was also investigated. To assist in determining the quantity of HRAD for each annual report, the disclosure elements have been assigned a binary (0 and 1) score. According to the results, HRAD is only marginally influenced by the total number of employees, but is significantly positively impacted by the company's size and the total number of pages. Service length, however, has a minor impact on profitability and has a big negative influence

In a different study, Wiyadi et al. (2021) aimed to characterise HRAD practices in top-classified firms in Malaysia, Indonesia, Philippines, Vietnam, Thailand, and Singapore based on the Corporate Governance Scorecard for ASEAN countries. We evaluated HRAD approaches based on sixteen criteria from previous studies. The 2014 and 2015 annual reports served as the foundation for the evaluation of 195 companies. The countries with the greatest rates of HRAD practices, in accordance to the research, are Indonesia-71%, Thailand-66%, Vietnam-65%, Malaysia-59%, Singapore-43% and the Philippines-40%. It is also found that, other than a small number of companies in Malaysia and the Philippines, independent HRAD is almost extinct. This implies that improving governance in Asian nations will need institutionalising HRAD techniques.

Ali & Barda (2022) said that their research revealed a moderate degree of HRAD among Indian IT organisations. In 1988, Bala and Habib conducted a much earlier study that claims that companies were only obligated to reveal certain information about their employees, like their salaries and compensation, provident funds, welfare funds, gratuity funds, festival incentives, and other cash benefits that were contingent on their annual presentation. Only a small portion of the enterprises in Hossain et al.'s (2004) study supplied information pertaining to human resources. This study's claim that separates financial reporting to employees is not necessary in India was identical to that of the previous study. Owusu Ansah (1998) and Akhtaruddin (2005) Consider that a company's age or stage of development and growth may have an impact on how much



information it discloses, since it is thought that more established, older companies are more inclined to share data than younger ones.

Research Objective

The study aims to achieve the following objectives:

1. To investigate how public sector banks in India handle human resource policies and disclosures.
2. To assess how India's public sector banks differ in their disclosure policies.

3. RESEARCH METHODOLOGY

Sample selection

An exploratory study design was used for this goal, utilising secondary data found in the annual reports of a predetermined group of organisations. The research is also empirical in nature, and it considers 12 public sector banks following the massive merger. Since knowledge of HRAs is essential for service-oriented firms, the banking sector was especially selected.

Selection of period

For the research to remain current and relevant, the data should come from the latest and present years. The study gathered 12 annual reports from the 12 public sector banks for the last 3 fiscal years ending in the year 2023, depending upon the availability of annual reports.

Content analysis

We used a content analysis methodology to look through the annual reports of the listed banking institutions in order to satisfy the research objectives. Content analysis is the study approach most frequently employed in the areas of intellectual capital, CSR disclosure, and human capital (Guthrie et al. 2006). For previous analysis on HRA revelations in developed and developing nations, AR serve as the primary foundation of data. A vital feature of modern accounting is human resource accounting, or HRA, especially in sectors where using human resources is a major part of the value-creation process. A comparatively strong framework for HRA disclosures is offered in India with the implementation of Ind AS 15, which addresses employee benefits. The purpose of this index is to assess how much information Indian banks disclose about HRA. The process of creating this disclosure index includes identification of disclosure requirements, categorization of disclosure elements, scoring criteria, data collection and analysis and interpretation of results. The principal aim of creating an HRA disclosure index is to assess the volume and calibre of data that Indian public sector banks publish. This index attempts to evaluate the completeness and transparency of HRA disclosures, offer a comparative study of HRA procedures among different public sector banks, and pinpoint areas where the present disclosure procedures need to be improved. It is equally pertinent to conduct a more thorough analysis of the body of research on HRA practices, including legal requirements and best practices both domestically and internationally, and to identify key indicators for HRA disclosures based on that analysis in order to ensure that no significant indicator is overlooked. It comprises 15 HRAD components (table 1). The dichotomous approach was used in analysis by Ahmed (2009), Ullah (2013), Wallace, Cook (1991 & 1992), Naser & Mora (1994), and Ahmed & Nicholls (1994). A score of "1" was assigned to an item in the event that it was disclosed, and a score of "0" if not. Results may vary somewhat or not at all depending on the weighted and unweighted scores applied to the items disclosed in company annual reports and calculations, according to Coomba & Taiyib (1998). Consequently, we employed the unweighted disclosure index technique in our investigation.

Table 1: Items of Disclosure

Listing of Disclosure Items No.	Items of Disclosure
Individual HRA Declaration	
01.	Annual Report with a separate HRA statement
02.	Policy for Human Resources in the Matter
03.	Employment Statement
Assessment/Valuation of Human Capital	
04.	Employees (numbers)
05.	Actual expenses in relation to human resources



06.	Employees Value Creation/Added
Development of Human Resources	
07.	Fund for HRD
08.	Training and Development
09.	Plan for Succession in Management
Performance and Remuneration	
10.	Recognition of Performance
11.	Category of Employees
12.	Remuneration (Managers)
Assistance with In-and End-of-Service	
13.	Retirement Benefits
14.	Termination Benefits
15.	Long term Employee Benefits

Source: Ind AS-15 /International Accounting Standards (IAS)-19

Techniques Used for Data Analysis

Data analysis methods include graphical depiction, tabulation, and descriptive statistics.

Analysis of Data and Findings

HRA Disclosures

HRA gives managers important information on human resources, enabling them to make wise decisions about hiring, development and training, promotions, layoffs, compensation, performance reviews, and other areas. In compliance with Table No. 1, public sector banks in India are required to furnish their annual reports with the specified disclosures and information pertaining to human resource accounting. All of the sample banks have been given their respective scores as per the disclosures provided in their annual reports. Table 2 provides a summary descriptive statistic of the Banks' values.

Table 2: Banks' HR Accounting Discloser's Descriptive Statistics

DETAILS	N	RANGE	MINIMUM	MAXIMUM	MEAN	STANDARD DEVIATION
HRADI	12	4	8	12	10.8333	1.3372
VALID N (LIST WISE)	12					

The disclosure patterns of human resource accounting among the 12 banks under investigation can be compared using the breakdown of ratings for the disclosure index. Information about the disclosure scores' dispersion (range determined by the standard deviation and variations between minimum and highest scores) may be seen in Table 2. Further, Table 3 displays the score series for Disclosure of HRA and the status. It is evident that although almost every bank is concerned about Human Capital, but some are comparatively less when it comes to the annual report's HRA item disclosure. Additionally, the table reveals that the majority of banks fall into the average score range of 10–12, with 7-9 being the lowest score range. That makes it evident to everyone that banking institutions do not yet meet all necessary standards for HRA Disclosure.

Table 3: Accounting Disclosures for Human Resources at Each Level

Score Series	Number of Banks	% in the sample	Cumulative %
0-3	0	0	0
4-6	0	0	0



7-9	2	16.67	16.67
10-12	10	83.33	100
13-15	0	0	0
TOTAL	12	100	

Based on the various levels of disclosures shown above, it is evident that only two of the five levels—the performance and compensation level and the development of human resources level—have seen some banks provide the necessary disclosures. In case of other 3 levels only part of the disclosures is presented by the bank. In the first level of disclosures most of the banks failed to disclose information related annual report with a separate HRA statement, which is a crucial piece of information about the human resources within an organization and banks that do not opt to provide HRA information may be perceived as being less progressive or committed to the human capital development than their peers that do. In the second level, the Indian public sector banks failed to provide any information related to human resource value, whereby banks can gain a competitive advantage in attracting talent and investors by accurately disclosing the value of their HR. Public sector banks can be at a disadvantage too when compared their private sector counterparts if they downplay the value of their HR. Although most of the banks effectively provided disclosures in respect to level 3 and level 4 but again the majority of the banks failed to disclose information in respect to level 5 especially in case of items related to termination benefits.

Companies with the highest and lowest rankings

The values of the disclosure for each of the sample Banks w used to determine their ranking. Based on the magnitude of the disclosure index, Table 4 displays the Banks that score highest and lowest. The disclosure score provided by the Banks being studied is shown in the table. Additionally, these reveal which of the banks are publishing most of the HRA data in their final reports.

The total Human Resource Disclosure status of Indian public sector banking organisations till 2023 is presented in Table 4 and Figure 1. Here, it is discovered that SBI, BOB, CBI, IOB and UBI report about 12 disclosure items (80%) of the chosen HR elements in their annual reports, earning the highest score. Punjab and Sind Bank revealed only 08 items of the disclosures i.e. (53.33%) of the chosen HRA items, resulting in a ranking of the final 5th.

Figure: 1 HRA Disclosure Score

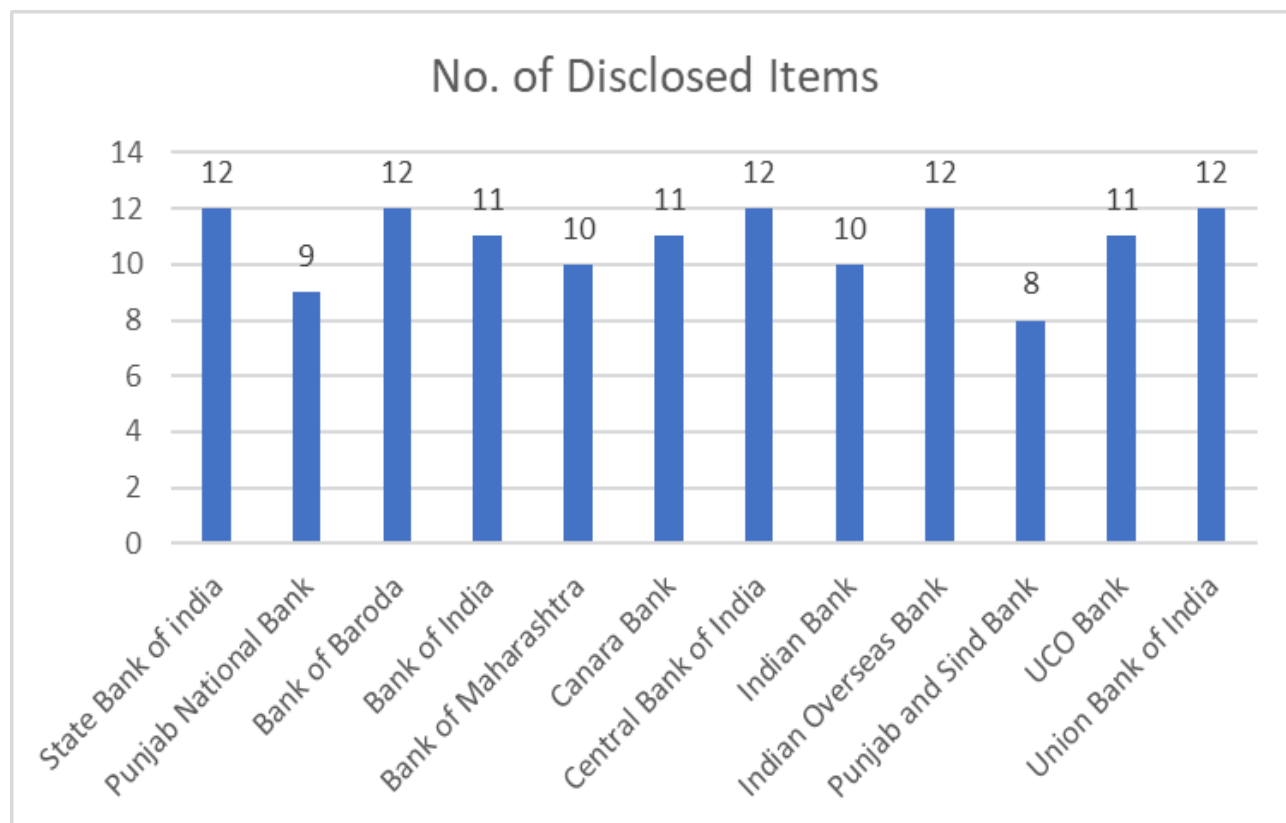




Table 4: Ordering of Banking Firms Using the Overall HRA Disclosure Score

Name of the Banks	Disclosed Items in Numbers	Percentage (%) of Total item Disclosed	Ranking
STATE BANK OF INDIA	12	80%	01
PUNJAB NATIONAL BANK	9	60%	04
BANK OF BARODA	12	80%	01
BANK OF INDIA	11	73.33%	02
BANK OF MAHARASHTRA	10	66.67%	03
CANARA BANK	11	73.33%	02
CENTRAL BANK OF INDIA	12	80%	01
INDIAN BANK	10	66.67%	03
INDIAN OVERSEAS BANK	12	80%	01
PUNJAB & SIND BANK	8	53.33%	05
UCO BANK	11	73.33%	02
UNION BANK OF INDIA	12	80%	01

Source: Author's work

Table 4 provides the relevant information in respect to the number of items disclosed by the Indian PSBs after the mega merger 2020. In the above table it can be seen that SBI is one of the banks which has provided the majority of information in respect to its human resources disclosures in comparison to other public sector banks PSBs in India. Out of the 15 disclosure items, 12 disclosures have been appropriately provided by the bank in its annual report, although the most relevant disclosure i.e. the value of the human resources is missing in its annual report. BOB, CBI, IOB and UBI are the other four banks which have also provided most of the disclosures out of the 15 disclosure items which could have been reported in their financial statements. Although the same material information i.e. disclosure in respect to human resource value is not available in case of these 4 banks as well. Bank of India, Canara Bank and UCO Bank are the ones who have reported 11 disclosures out of the 15, in their annual reports. Punjab and Sind Bank and Punjab National Bank rank among the banks that report the fewest disclosures. Thus, absence of metrics related to human capital may lead to the misrepresentation of key performance indicators (KPIs) in banks. Decision-making processes at different organisational levels may be impacted by this deception, which may also distort performance reviews. For strategic planning, accurate accounting of human resources is necessary. It facilitates decision-making about hiring, training, and retention as well as comprehension of the influence of human capital on overall performance. Without it, judgements resulting from strategic planning could be less than ideal. An ideal need of this objective is to identify the best procedures

Items that no sample public sector bank in India has disclosed or less disclosed

All the banks in the study sample withheld almost three pieces of information, while some information was disclosed less. These details fall within the category of voluntarily disclosed information. Nevertheless, the sample banks' disclosure of these kinds of details differed from bank to bank.

Table 5: HRA Disclosure Items related information not disclosed / less disclosed

HRA Disclosure Items	Disclosed by number of Banks
Separate Human Resource Accounting Statement	0 out of 12
HR Development Fund	0 out of 12
Employees Value Creation/Added	0 out of 12
Termination Benefits	8 out of 12

Source: Author/s work



A public sector bank's annual report may suffer from a number of serious issues if it does not include a separate Human Resource Accounting (HRA) statement. These ramifications, which impact different stakeholders and the banks' overall operating efficacy, can be roughly divided into internal and external categories. Banks might find it difficult to fairly evaluate the worth and contribution of their human capital without HRA. Moreover, strategic planning and efficient resource allocation may be hampered by this. Employee morale and productivity may suffer if their contributions are not openly acknowledged, leading them to feel undervalued. The bank's brand and investor relations may suffer as a result of this lack of transparency, which can also erode stakeholder trust and confidence. Banks that choose not to provide HRA information could be seen as less devoted to human capital development or as progressive than their counterparts that do. This view may have an impact on their appeal to competent job seekers and possible investors. Conversely, rivals with strong HRA procedures can take use of this openness to emphasise their dedication to worker well-being and organisational excellence, giving them a competitive advantage.

Again, the omission of the HRD fund from public sector banks' annual reports can have a domino effect on compliance, transparency, stakeholder trust, strategic management, and long-term competitiveness. Public sector banks must make sure that all of their human resource investments are fully and accurately reported in order to reduce these risks. Skill and talent development gaps inside the bank may eventually result from a lack of attention to and reporting on HRD. As the financial services industry changes quickly, this may make it more difficult for the bank to innovate and maintain its competitiveness.

Human resources are an invaluable resource, especially in knowledge-intensive sectors like banking. The bank's assets and liabilities may not be accurately depicted in financial statements if the worth of its human resources is not taken into account. The value of the bank may be underestimated as a result. Decision-making processes at different organisational levels may be impacted by this deception, which may also distort performance reviews. Accurately reporting the worth of their human resources can provide banks a competitive edge in luring talent and investors. If public sector banks don't emphasise the importance of their human capital, they may be at a disadvantage when compared to their private sector counterparts.

4. CONCLUSION AND FUTURE PROSPECTS

After all of the scandals and frauds that have come to light over the past years, there is a pressing need for stricter rules and guidelines for information disclosure, not just more disclosures. Academic and accounting communities understand this and the need to establish standards that will improve reporting, both financial and non-financial. But the analysis has demonstrated how badly HRA and its application are performing in Indian banking companies. In addition to being insufficient, inconsistent, and unreliable, the HRA application and disclosures are not audited.

Regarding HRA disclosures, there is still more to be done. It is imperative that regulatory agencies, political entities, and accounting authorities take the initiative and publish accounting guidelines for more unbiased and user-worthy disclosures. To improve their HRA disclosures, businesses might use the HRADI as developed in the study as a baseline. Accounting authorities and company regulators may also use it to inform their conclusions concerning the need for HRA disclosures. To gain insight into a company's financial situation and future outlook, investors can also utilise the HRA disclosures that firms make available. The existing study is subject to several limitations. It's only available for a single time period and public sector banking institutions. Different industries and historical eras could be considered in future research.

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