



A Study on Human Resource Accounting Practices in Infosys

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ABSTRACT:

Human resource accounting is the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization. HRA reports give useful information to the company management, employees and investors. In India, very few companies use HRA. It is not compulsory in India. Infosys Technologies and BPL are the leading companies in India, which use HRA. The study will be helpful in planning of manpower, gather data on actual costs of recruitment and selection, Collection of figures over the past period provide reasonable basis for projecting future expenses, Employee turnover rate and retention rate etc. The scope of the current study is limited to Infosys, which is selected from BSE for the period of 8 years. This paper will be present study the executive and non-executive employee's growth, the gender wise distribution, the financial performance and HRV measures and the HR Valuation ratio of Infosys for selected time period.

Keywords: *HRV measures, HR Valuation ratio, Infosys and HRA.*

1. Introduction

Human resource accounting is the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization. The importance and value of human assets was recognized in the early 1990s when there was a major increase in employment in firms in service, technology and other knowledge-based sectors. In these sectors, the intangible assets, especially human resource contributed significantly to the building of shareholder value. The critical success factor for any knowledge-based company was its highly skilled and intellectual workforce. Soon after the manufacturing industry also seemed to realize the importance of people and started perceiving its employees as strategic assets. According to the American Accounting Association's Committee on Human Resource Accounting (1973), Human Resource Accounting is nothing but "the process of identifying and measuring data related to human resource and communicating this information to interested parties". From this definition, we could recognize that HRA is not only involved in the measurement of data related to placement, training and development of employees but also involved in the evaluation of financial condition of people in an organization. This has been supported by Flamholtz (1971) who defined HRA as "the measurement and reporting of the economic value of people in organizational resource". Overall, the HRA can be defined as the process of identifying and measuring data related to human resource for the development and enhancement of economic value of interested parties associated with corresponding organization.

In the HRA approach, expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which treats costs related to a company's human resources as expenses on the income statement that reduce profit. Objective of human resource accounting is to facilitate the management to get information on the cost and value of human resources which will enhance the quantity and quality of goods and services. It provides data to the interested persons about the cost of human resources and correspondingly comparing it with the benefit obtained out of its utilization. The human resource accounting is used to furnish cost value information for making proper and effective management decisions about acquiring, allocating, developing and maintaining human resources in order to achieve cost effective organizational objectives. The measurement of Human Resources is subjective as different firms will use different methods for this purpose. Till date there is no model for valuation of Human Assets, which is widely acceptable and used worldwide. The study will be helpful in planning of manpower, gather data on actual costs of recruitment and selection, Collection of figures over the past period provide reasonable basis for projecting future expenses, Employee turnover rate and retention rate etc.

2. Review of Literature

Glautier (1976) attempted to place a broad perspective on the problems of HRA by arguing that its objectives are wider than appear to have been admitted. Such is the importance of HRA for problems as disparate as economic efficiency, organisational effectiveness, and social effectiveness that it must become a subject in its own right with its own methodology and measurements. Many conceptual and measurement problems have not yet been adequately treated. The immediate objective of research should be a rigorous testing of the validity of the assumptions that have hitherto been relied on.

Hoyer S. (1993) In general, investment in physical assets is understood as the standard case of investment. In addition, however, a number of other types of investment come into consideration. Figure 1 is intended to illustrate the system of investment types used in this article. The classification criterion is the type of economic goods to which the investment activity relates.

Flamholtz (1999) revealed that During the late 1960s, business firms began to apply the concepts of human resource accounting to their own operations. A few organizations developed systems of accounting for their investments in human resources, while others began to account for the replacement cost of their human resources. This chapter surveys selected cases of these initial attempts to develop systems of accounting for human resource costs and examines the intended use of these systems in managing human resources. These pioneering studies are significant not only for historical reasons but also to illustrate the applications of human resource cost accounting that were initially envisioned. The next chapter discusses more recent attempts to use human resource accounting.

Flamholtz (1999) presented a case study of an organization (Lester Witte & Co. CPAs) that was one of the first to apply the concepts and methods discussed in Chapter Seven to develop a system of accounting for the value of its human resources. The study was intended as a research effort, and it is reported here because of its historical interest and because it illustrates the thinking involved in this pioneering application of human resource accounting.

Wooten (2001) revealed that through the analysis of qualitative data, this research applies institutional theory and the resource-based perspective to examine why public accounting firms adopt women-friendly human resource management policies. The study reveals that 5 types of institutional pressures explain why women-friendly policies have proliferated in the public accounting industry. In addition to these institutional pressures, the proliferation of women-friendly policies in accounting firms has occurred because these firms are motivated to optimize available economic choices. Firms view women-friendly policies as a means to acquire, develop, and accumulate resources that will give them a competitive advantage in the marketplace. However, these women-friendly policies only provide competitive advantage when they are both valuable and difficult for competitors to imitate because of social complexity, knowledge management, and tastiness.

Roslender (2015) revealed that many of the most powerful developments have involved a good measure of cross-functional collaboration with other management disciplines, thereby continuing a tradition that characterizes the previous history of managerial accounting. This in turn has resulted in a twenty-first century managerial accounting discipline that exhibits a valuable coherence with the prevailing strategic management concept. The remainder of the chapter is structured as follows. The following section provides a brief history of AHR in the form of human asset accounting, human resource accounting and human resource costing and accounting. In the third section, a number of the main accomplishments of the new management accounting are surveyed, while section four offers a commentary on the absence of much interest in AHR within this set of recent advances. The emergence of the intellectual capital field is outlined in section five and is followed in section six by a discussion of a number of developments associated with accounting for intellectual capital. The chapter concludes by identifying the topic of employee health and well-being as one that managerial accounting researchers might wish to consider investigating as they renew their acquaintance with AHR.

3. Research Methodology

3.1 Objectives of the study

The specific objectives of the study are as follows:

1. To study and analysis the executive and non-executive employee's growth of Infosys for selected time period.
2. To study and analysis the gender wise distribution of Infosys for selected time period.
3. To study and analysis the financial performance and HRV measures of Infosys for selected time period.
4. To examine and analysis the HR Valuation ratio of Infosys for selected time period.

3.2 Sample Size and Sample Frame

The scope of the study is limited to selected private sector company in India. The selected company is INFOSYS, which is selected from BSE.

3.3 Period Considered for Study

The data for the purpose of the above study includes 8 years i.e. from 2015 to 2022. Time more than five years is always crucial for any study.

3.4 Collection of data

This study mainly depend on secondary data and most prominent source for that is the company information through the annual financial report and specifically the director's report and its annexure were analysed to gather the required data for the period of eight years from 2015 to 2022. Other sources are like through books, journals, research papers, websites and newspapers. The use of internet was also of great help to the researcher.

3.5 Tools and techniques

Data was analyzed by using statistical tools and financial tools such as diagrams & graphs, measures of central tendency, standard deviation, CV and ratios analysis etc.

3.6 Limitation of proposed research

As it natural the study is bound to have a few limitations.

1. All data of selected companies is shown just for the last eight years, ending 2022. Hence, any uneven trend before the set period will be the limitation of the study.
2. The study is based mainly on secondary data only.
3. The study is based on monetary information, the non-monetary factors ignored.
4. The study is based on Infosys, other company ignored.

4. Data Analysis

HRA reports give useful information to the company management, employees and investors. In India, very few companies use HRA. It is not compulsory in India. Infosys Technologies and BPL are the leading companies in India, which use HRA. In this section various data analysis to achieve specific objectives such as the executive and non-executive employee's growth, the gender wise distribution, the financial performance and HRV measures and the HR Valuation ratio of Infosys for selected time period.

Executive and Non-Executives Employees:

Following table presents of Executive and Non-Executives Employee's growth of Infosys from year 2015 to 2022.

Table-1

Executive and Non-Executives Employees – Infosys

Year	Executive employees	Percentage	Non-Executives employees	Percentage
2022	192179	94.16	11928	5.84
2021	186182	92.92	14182	7.08
2020	181007	93.28	13037	6.72
2019	164616	93.43	11571	6.57
2018	150145	93.60	10260	6.40
2017	146849	93.72	9839	6.28
2016	136043	90.70	13951	9.30
2015	120605	92.19	10215	7.81
Mean	159703.3		11872.88	
Std. dev.	23923.98		1604.158	
CV	15%		14%	

Sources: Annual Report

From the above table and graph it can be concluded that for the Infosys, the number of Executive employees is increased till the year 2022. Overall the year number of Executive employees in the organization varies between 120605 in 2015 to 192179 in 2022. The mean and standard deviation is 159703.3 and 23923.98 respective of Executive employees from 2015 to 2022. The proportion of Executive employees of the company varies between 92.19% in 2015 to 94.16% in 2022. In 2022, there is highest proportion of Executives employees from 2015 to 2022. The coefficient of variation of is 15% showing low fluctuating change in the Executive employee trend.

From the above table and graph it can be concluded that for the Infosys, the number of Non-Executives employees is also increased till the year 2022. Overall the year number of Non-Executives employees in the organization varies between 10215 in 2015 to 11928 in 2022. The mean and standard deviation is 11872.88 and 1604.158 respective of Non-Executives employees from 2015 to 2022. The proportion of non-executives of the company varies between 7.81% in 2015 to 5.84% in 2022. In 2016, there is highest proportion of Non-Executives employees from 2015 to 2022. The coefficient of variation of is 14% showing low fluctuating change in the Non-Executives employees' trend.

Gender-Wise Distribution:

Following table presents of gender wise distribution of Infosys employees from year 2015 to 2022.

Table-2**Gender-wise distribution of Infosys employees**

Year	Men	Percent	Women	Percent	Total
2022	130390	63.88	73717	36.12	204107
2021	128116	63.94	72248	36.06	200364
2020	124928	64.38	69116	35.62	194044
2019	114363	64.91	61824	35.09	176187
2018	105233	65.60	55172	34.40	160405
2017	102993	65.73	53695	34.27	156688
2016	97842	65.23	52152	34.77	149994
2015	86604	66.20	44216	33.80	130820
Mean	111308.6		60267.5		171576.1
Std. dev.	14744.21		9986.328		24714.28
CV	13%		17%		14%

Sources: Annual Report

From the above table and graph it can be concluded that for the Infosys, the number of male professionals is increased till the year 2022. Overall the study period the number of male employees in the organization varies between 86604 in 2015 to 130390 in 2022. The proportion of Professional employees of the company varies between 66.20% in 2015 to 63.88% in 2022. The coefficient of variation of is 13% showing low fluctuating change in the trend.

From the above table and graph it can be concluded that for the Infosys, the number of female professional is also increased till the year 2022. Overall the year number of female employees in the organization varies between 44216 in 2015 to 73717 in 2022. The proportion of female professionals of the company varies between 33.80% in 2015 to 36.12% in 2022. The coefficient of variation of is 17% showing low fluctuating change in the trend. It can also be concluded that for the Infosys, the total number of professionals is also increased till the year 2022. Overall the year number of employees in the organization varies between 130820 in 2015 to 204107 in 2022. The proportion of total number of professionals of the company varies from 2015 to 2022. The coefficient of variation of is 14% showing low fluctuating change in the trend.

Financial Performance Measures and HRV:

The following section present the financial performance measures for Infosys from year 2015 to 2022. These financial performance measures include revenue, net profit earned, Employee cost, human resource value and company net worth over the study period (2015-2022).

Table 3**Absolute value of financial performance and HRV in Infosys**

Year	Revenue	Net profit	Emp. Cost	HRV	Net worth
2022	73,715.00	16,100.00	38,893.00	1,41,109	64,923.00
2021	71,564.00	14,383.00	37,659.00	1,39,739	68,982.00
2020	65,564.00	13,492.00	34,406.00	1,38,369	61,744.00
2019	56,749.00	12,373.00	29,802.00	1,36,999	50,736.00
2018	52,797.00	10,656.00	28,831.00	1,35,629	44,530.00
2017	42,717.00	9,429.00	22,565.00	1,37,845	31,332.00
2016	35,638.00	8,332.00	18,340.00	1,25,717	31,332.00
2015	28,712.00	6,835.00	14,856.00	1,35,105	25,976.00
Mean	53,432	11,450	28,169	1,36,314	47,444
Std. dev.	16,653	3,184	8,883	4,721	16,790
CV	31%	28%	32%	3%	35%

Sources: Annual Report

From the above table and graph, it can be concluded that for Infosys, the revenue of company is increased in the study period (2015-2022). Overall in the study period the revenue of the organization varies between 28712 in 2015 to 73715 in 2022. The revenue of the company increased from 2015 to year 2022. The coefficient of variation is 31% showing moderate fluctuating change in the trend. From the above table and graph, it can be concluded that for Infosys, the net profit of company is increasing in the study period (2015-2022). Overall, in the study period the net profit of the organization varies between 6835 in 2015 to 16,100 in 2022. The net profit of the company increased from 2015 to year 2022. The coefficient of variation is 28% showing moderate fluctuating change in the trend. From the above table and graph, it can be concluded that for Infosys, the employee cost of company is fluctuating in the study period (2015-2022). Overall, in the study period the employee cost of the organization varies between 14856 in 2015 to 38893 in 2022. The employee cost of the company increased from 2015 to 2016. The coefficient of variation is 32% showing high fluctuating change in the trend.

From the above table and graph, it can be concluded that for Infosys, the human resource value (HRV) of company is increased in the study period (2015-2022). Overall, in the study period the human resource value (HRV) of the organization varies between 136314 in 2015 to 1,41,109 in 2022. The human resource value (HRV) of the company increased from 2015 to 2022. The coefficient of variation is 3% showing very low fluctuating change in the trend. From the above table and graph, it can be concluded that for Infosys, the net worth of company is increased in the study period (2015-2022). Overall, in the study period the net worth of the organization varies between 25976 in 2015 to 64,923 in 2022. The net worth of the company increased from 2015 to 2022. The coefficient of variation is 35% showing moderate fluctuating change in the trend.

HR Valuation Ratio:

The following section presented the HR Valuation ratio of Infosys from year 2015 to 2022. These HR Valuation ratios like include Total income /HRV, Value of HR per employee (in Cr), Employee cost/ HRV (in %), Net worth/ HRV (ratio) and Return on HRV (in %) for the company over the study period (2015-2022).

Table- 4

HR Valuation ratio of Infosys

Year	Total income /HRV	Value of HR per employee	Employee cost/ HRV (%)	Net worth/ HRV (ratio)	Return on HRV (%)
2022	0.11	0.69	27.56	0.46	11.41
2021	0.10	0.70	26.95	0.49	10.29
2020	0.10	0.71	24.87	0.45	9.75
2019	0.09	0.78	21.75	0.37	9.03
2018	0.08	0.85	21.26	0.23	7.86
2017	0.07	0.88	16.37	0.23	6.84
2016	0.07	0.84	14.59	0.21	6.63
2015	0.05	1.03	11.00	0.35	5.06

Sources: Annual Report

From the above table and graph, it can be concluded that for Infosys, the Total income /HRV ratio of company is increased in the study period (2015-2022). Overall in the study period the Total income /HRV ratio of the organization varies between 0.05 in 2015 to 0.11 in 2022. The Total income /HRV of the company increased from year 2015 to year 2022. In year 2022, the Total income /HRV ratio reached to maximum level of 0.11. From the above table it can be concluded that for Infosys, the Value of HR per employee (in Cr) of company is reduced in the study period (2015-2022). Overall in the study period the Value of HR per employee of the organization varies between 1.03 in 2015 to 0.69 in 2022. The Value of HR per employee of the company reduced from 2015 to 2022. From year 2016, the Value of HR per employee is reducing and reached at minimum level of 0.69 in 2022. From the above table it can be concluded that for Infosys, the Employee cost/ HRV ratio of company is fluctuated in the study period (2015-2022). Overall in the study period the Employee cost/ HRV ratio of the organization varies between 9.22 in 2015 to 24.87 in 2022. The Employee cost/ HRV of the company rose from 9.22 in 2015 to 24.87 in year 2016. From year 2017, the Employee cost/ HRV ratio reduced to from 3.39 in 2017 to 3.32 in 2022.

From the above table it can be concluded that for Infosys, the Net worth/ HRV(ratio) of company is increased in the study period (2015-2022). Overall in the study period the Net worth/ HRV ratio of the organization varies between 0.35 in 2015 to 0.46 in 2022. The Net worth/ HRV of the company rased from 0.22 in 2015 to 0.49 in year 2017. From year 2022, the Net worth/ HRV ratio reduced to 0.46. From the above table and graph it can be concluded that for Infosys, the Return on HRV (%) of company is increased in the study period (2015-2022). Overall in the study period the Return on HRV of the organization varies between 5.06 in 2015 to 11.41 in 2022. The Return on HRV of the company increased from 2015 to 2022.

5. Conclusion

The practice of identifying and measuring data about human resources has been developed in many Indian companies. The Lev and Schwartz model based human resource accounting system, many of the organizations which have HRA systems do disclose the output details in the annual report in the supplementary form. The net worth of Infosys is increased till the year 2017. Overall the net worth of the company varies between 25976 crores in 2015 to 68982 crore in 2017. The Net worth of the company was not fluctuating with mean of 48587 crores and the coefficient of variation of 32.56% showing very high fluctuating change in the trend. The company has to manage their sources to balance the net worth. The human resource is increased in Infosys

till the year 2022. Overall the human resource of the company varies between 130820 in 2015 to 204107 in 2022. The Human Resource of the company was not very fluctuating. The coefficient of variation of is 15.40% showing moderate fluctuating change in the trend. The number of Executive employees is increased in Infosys till the year 2022. Overall the year number of Executive employees in the organization varies between 120605 in 2015 to 192179 in 2022. The proportion of Executive employees of the company varies between 92.19% in 2015 to 94.16% in 2022. The coefficient of variation of is 15% showing low fluctuating change in the trend. The information about human resource value and accounting is largely unregulated, which needs to be regulated by the law or practice by enforcement agency such as ministry of corporate affairs.

6. References

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