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A Study on Human Resource Accounting in Healthcare Sector, Bangalore, India

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ABSTRACT

This research study examines the use, consciousness, and efficacy of Human Resource Accounting (HRA) in Bangalore healthcare industry in India, a state with high healthcare indices and trained medical personnel. Although human capital plays a pivotal role in healthcare, the healthcare sector has been remiss in financial valuation and systematic accounting of people. The research utilizes a mixed-methods design consisting of quantitative surveys and qualitative interviews to analyze the level of HRA application in both private and public hospitals throughout Bangalore. It looks into the methods of valuation applied (e.g., historical cost, replacement cost, and present value of future income), the level at which HRA affects HR decision-making, and the challenges to its use. Results reflect that despite a moderate level of awareness regarding concepts of HRA by HR professionals and hospital administrators, actual application is hampered by a paucity of standardized frameworks, inadequate training, and perceived complexity in the approach to valuation methods.

KEY WORDS: *Human Resource Accounting, Healthcare Sector, Valuation Methods HR Measurement, Organisational Decision Making, Mixed Methods Research.*

INTRODUCTION

With the fast-changing scenario of healthcare services, human resources become central to quality, accessibility, and efficiency. Bangalore, with its high human development index and advanced public health system, provides a rich context in which to examine healthcare management processes. Even with improvement in infrastructure and medical technology, one function that is yet to be fully exploited in Bangalore healthcare scenario is Human Resource Accounting (HRA). HRA is a process used to identify, measure, and report investments in human resources and assess how they affect organizational performance. Historically, organizations account for tangible assets but fail to recognize the worth of human capital like skills, knowledge, experience, and training that are most important in a service-based industry like healthcare.

Across the world, HRA has become popular as a strategic human resource management tool for making informed decisions regarding recruitment, training, retention, and workforce planning. In India, nevertheless, the trend is yet to emerge, and in healthcare, especially among states such as Bangalore, little empirical study has been done. This research aims to examine the ways in which Bangalore hospitals identify and implement HRA practices, the valuation methods applied to human resources, and the impact of these practices on organizational decisions.

RESEARCH QUESTIONS

- To what extent are the practices of Human Resource Accounting followed in public and private hospitals in Bangalore?
- Are the valuation techniques most widely used in Bangalore's healthcare institutions for valuing human resources?
- Are the main challenges and obstacles hindering healthcare institutions from adopting HRA?
- Do hospitals' human resource planning and budgeting decisions get influenced by the adoption of HRA?

REVIEW AND LITERATURE

- Philip Dewe (2015) identified the development of Human Resource Accounting (HRA) over three phases: asset accounting, resource accounting, and intellectual capital. He underlined the demand for a multidisciplinary framework in order to capture the actual worth of human beings within organizations. His paper provided the basis for addressing human capital as an interactive facilitator of organizational development.

- Zahra Farhangnia (2021) examined the conceptual and ethical aspects of HRA in Iran, such as valuation, cost versus value, and non-monetary approaches. She identified the absence of standardized models and reporting frameworks in Iranian organizations. The research recommended adopting context-based strategies in order to enhance practical implementation.
- Akeel Shandakh (2021) examined how integrating HR systems with accounting information systems can enhance human capital valuation and strategic planning. He proposed that such integration contributes to better workforce policies at both organizational and national levels. The study emphasized the importance of accurate, forward-looking HR data.
- Ogundajo et al. (2022) examined the impact of HRA disclosure on firm value, with specific emphasis on employee training and development. They established that HR-related reporting transparency enhances investor confidence and company valuation. Their research lends support to the inclusion of human capital information in financial statements.
- Sugiarta et al. (2023) discussed the applicability of HRA in Indonesia, focusing on human resources as intangible assets and investments. The research defended HR inclusion in accounting practices to show their actual contribution towards the success of businesses. It invited companies to synchronize HR strategy with financial planning.
- Lukman et al. (2023) evaluated the effect of HRA on turnover, earnings per share, and return on capital employed in Nigerian companies. Their findings supported that HRA greatly enhances corporate performance indicators. They suggest total implementation of HRA in financial statements to enhance decision-making.
- Prince Chinedu Okeke (2023) examined the influence of HRA on the profitability of Nigerian banks in terms of profit after tax. Exposing that expensing instead of capitalizing HR diminishes reported profitability, he suggested policy reforms to harmonize reporting of HRA.
- Mayowa et al. (2023) probed the compatibility of Human Resource Accounting with IFRS, citing incompatibilities. Conventional IFRS practices do not value human capital as an asset, discounting its strategic value. The research called for harmonization between international standards and HRA principles.
- Li Kang (2024) investigated the barriers to adopting HRA in modern knowledge-driven economies. He identified issues like theoretical gaps, poor disclosure, and weak HR systems integration. The study proposed legal reforms, tech adoption, and upskilling HR personnel as solutions.
- Omisope et al. (2024) researched the impact of labour cost on Nigerian deposit money banks' ROE and PAT. Their empirical work indicated a positive relationship between labour cost and performance. They promoted the inclusion of HRA in banking sector financial reports.
- Oyetola et al. (2025) examined how corporate governance acts as a moderator of the impact of HRA on firm value in Nigeria's manufacturing companies. It was discovered that good governance frameworks augment the positive role of HRA. Regulators are advised to enforce governance and HRM standards.
- Yusuf et al. (2025) carried out a systematic review of ERP's contribution to HRA and internal auditing, reviewing 37 articles. ERP was seen to enhance the management of HR data, tracking costs, and audit performance. The research reaffirmed ERP's significance to modernize systems of HRA.
- Uday Kishor Tiwari (2025) assessed HRA practices in Nepalese banks based on HRADI and the Lev & Schwartz model. The research found ineffective implementation of HRA despite adherence to standard reporting templates. It highlighted the disparity between policy enactment and day-to-day application.
- Shiv Kumar & Anil Kumar (2025) emphasized the strategic value of HRA in the era of digitalization, telecommuting, and talent scarcity. It emphasized its function in matching the investment in people with organizational objectives.
- Literature Review on Human Resource Accounting, Stephanie Ebitse, in the past, accounting was simply recording financial transactions, money earned, spent, and owed. Income and expenses were recorded using simple bookkeeping techniques by businesses. Employees were treated as costs and not investments. Presently, accounting has evolved and has a wider perspective of business performances

RESEARCH GAP

Table no.	Aspect	Citation	Research Design	Objectives	Key Findings
1	Evolution of HRA	Philip Dewe (2015)	Historical/Conceptual Review	Trace HRA's evolution across three main phases	Advocates a multidisciplinary, intellectual capital-focused approach to HRA
2	HRA in Iran	Zahra Farhangnia (2021)	Conceptual/Theoretical Review	Discuss evolution, models, ethics, and valuation methods in Iran	Covers ethics, HRA models, valuation, non-monetary evaluation, and challenges in Iranian context.

3	HR Accounting Info System Integration	Akeel Shandakh (2021)	Theoretical	Analyze integration of HR systems into accounting and planning	Proper HR-AIS integration helps in valuation, planning, promotions, wages, and national employment policies.
4	HRA Disclosure & Firm Value	Grace Oyeyemi Ogundajo, Shamside en Kehinde Kassim, Oluwatobi Abondurin Kujore (2022)	Ex Post Facto	Analyze HRA disclosure impact on firm value	Training and development disclosure Positively impact firm value.
5	Relevance of HRA in Indonesia	(2023)	Literature Review	Position HR as an investment and not just expense	HRAs significantly support internal control, performance, and decision- making by treating HR as capital.
6	HRA Impact on Corporate Performance (Nigeria)	Jimoh Adams Lukman, A.Salman, I.J.Yahaya . (2023)	Descriptive Longitudinal	Evaluate HRA's effect on turnover, EPS, capital employed	HRA significantly influences all three performance metrics. Recommends integrating HR as assets in reports.
7	Effect of HRA on Financial Performance – Nigerian Banks	Prince Chinedu Okeke (2023)	Ex Post Facto	Evaluate HRA's effect on banks' performance	Capitalizing HR data enhances PAT and efficiency.
8	HRA & IFRS Convergence	Olalere Mayowa, Kolawole David, Joseph Samuel, Olorundare. (2023)	Exploratory	Examine HRA under IFRS frameworks	IFRS lacks specific HRA guidelines; traditional expensing reduces usefulness of HR investment info.
9	Human Capital Valuation via HRA	Li Kang (2024)	Theoretical / Analytical	Explore models and challenges in HRA adoption	Suggests better theory, legislation, HR function, and IT usage to overcome poor understanding and weak disclosure.
10	HRA and Financial Performance of Nigerian Banks	Margeret Omisope, Olalere Mayowa, Odewusi Oyetola, Adesina hHammed (2024)	Quantitative (OLS) Regression	Assess HRA's impact on ROE and PAT in banks	Gross labour cost has a significant effect on ROE and PAT.
11	Corporate Governance & Firm Value via HRA in Nigeria	Odewusi Oyetola, Folajimi Festuys Adegbe. (2025)	Ex Post Facto	Examine corporate governance's moderating role on HRA and firm value	HRA and corporate governance significantly enhance firm value (Adj. R ² ~0.25).
12	ERP's Role in HRA & Internal Audit	Yusfi Tsabita Nanda Yusuf, Apil, Aini Jondriawati	Systematic Literature Review	Review ERP's influence on HRA and internal audit	ERP supports strategic HR decisions and audit effectiveness.

13	HRA Practices in Nepalese Commercial Banks	Tiwari.U. K. (2025)	Descriptive (Primary + Secondary)	Examine HRA practices using HRADI and Lev & Schwartz model	HRADI scores show unsatisfactory HRA standards in SCBNL and NBL.
14	Significance of HRA in Modern Business	Shiv Kumar & Anil Kumar (2025)	Theoretical + Case Analysis	Explore how HRA supports strategic growth and transparency	Suggests adopting HRA for long-term success amid tech and remote work challenges.
15	Evolution of accounting Towards recognizing human resources as assets through Human Resource Accounting (HRA)	Stephanie Ebitse. Literature Review on Human Resource Accountin g.	Conceptual and Descriptive	To highlight the shift in accounting from traditional financial focus to recognizing employees as Valuable organizational assets.	HRA offers a method to measure and report employee value, supporting the view that human capital contributes to profitability and growth.

Table no. 01 Research Gap

PROBLEM STATEMENT

In Bangalore health sector, human resources are the most critical asset propelling service provision, but are not measured as quantifiable economic assets in financial or strategic planning exercises. Physical and financial assets are regularly accounted for, but the worth of doctors, nurses, and healthcare personnel is never considered. In spite of worldwide knowledge of Human Resource Accounting (HRA) as a useful means of valuing the workforce and facilitating decision-making, its use in Bangalore hospitals is negligible or non-existent. This absence of awareness, standardization, and implementation results in ineffective HR planning, insufficient investment in employee development, and minimal performance monitoring. Thus, it is imperative to find out the status, problems, and prospects of HRA in the healthcare institutions of Bangalore to enhance overall organizational efficiency and accountability.

CONCEPTUAL MODEL



Fig no. 01 Conceptual Model RESEARCH METHODOLOGY

- **Primary Data:**

This data is collected through online survey which is Google forms. The total respondents 37 which are working professional.

- **Secondary Data:**

The review Human Resource Accounting in Iran by Zahra Farhangnia (2021) explores the evolution and application of HRA in Iranian organizations.

- **Variable Description:**

Table no.	Variable	Type	Description
1	HRA Implementation	Independent	Application of conventional HRA practices within the hospital (Yes/No, techniques employed)
2	Organizational Performance	Dependent	Measured through staff retention rate, service quality, and budgeting in HR
3	HRA Awareness	Independent	Level of knowledge of HRA among HR practitioners (measured on Likert scale)
4	HR Decision Effectiveness	Dependent	Decisional quality regarding recruitment, training, and planning

- **Sampling Technique:**

The research employs stratified random sampling, splitting the population into three strata by hospital ownership: Government hospitals, Private non-profit hospitals, Private for-profit hospitals, Hospitals from each stratum are randomly selected to provide balanced representation.

- **Sample Size:**

The information collected is a qualitative information as it is collected form google forms the total response are 37.

ANALYSIS AND DISCUSSION

A significant majority, about 64.9%, of those surveyed believe that valuing employees is extremely important, highlighting a strong consensus that employees are key to an organization's success. Additionally, 32.4% of respondents consider it "somewhat important," indicating almost universal acknowledgment of employees as valuable assets. This perspective aligns with contemporary HR practices, which emphasize the need to develop, retain, and respect human capital, rather than simply viewing workers as costs.

Almost half of the participants (48.6%) feel that HRA makes them feel valued and appreciated, which really highlights the positive psychological effects of being recognized in tangible ways. On the flip side, a notable number (40.5%) are worried about comparison anxiety.

This suggests that while HRA can be uplifting, it might also bring about stress or encourage unhealthy competition. This mixed perspective shows just how delicate the balance is between feeling recognized and feeling pressured when it comes to implementing HRA systems.

These findings highlight that, although there's solid conceptual backing for Human Resource Accounting (HRA) and recognizing employees as vital organizational assets, practical, ethical, and psychological issues are holding back full implementation. The favorable view of HRA indicates that organizations have a chance to enhance engagement by adopting transparent and empathetic strategies. However, they also need to invest in education, tools, and open dialogue to tackle resistance and address concerns about fairness, pressure, and feasibility.

ANALYSIS AND DATA INTERPRETATION

- **IMPORTANCE IN VALUEING EMPLOYEES AS ORGANISATIONAL ASSET**

In your opinion, how important is valuing employees as organizational assets?
37 responses

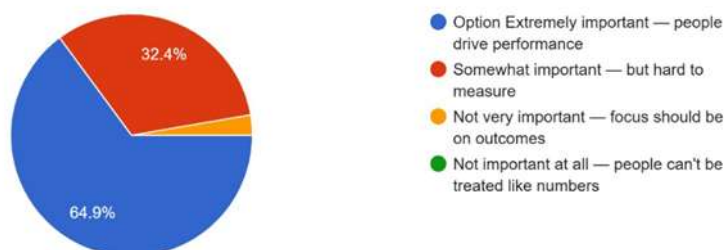


Figure 1: Respondents view employees as vital organizational assets. INTERPRETATION

The graph indicates that 64.9% of the respondents think valuing employees as organizational assets is extremely important, and 32.4% think that it is somewhat important but difficult to measure. There is very little disagreement. This suggests a high general consensus that employees contribute importantly to organizational performance. It also suggests increasing sensitivity to the imperative for recognizing human capital in strategic planning as well as in finance planning.

- **AFFECT OF HRA IN EMPLOYEE'S PERCEPTION OF THEIR ORGANISATION**

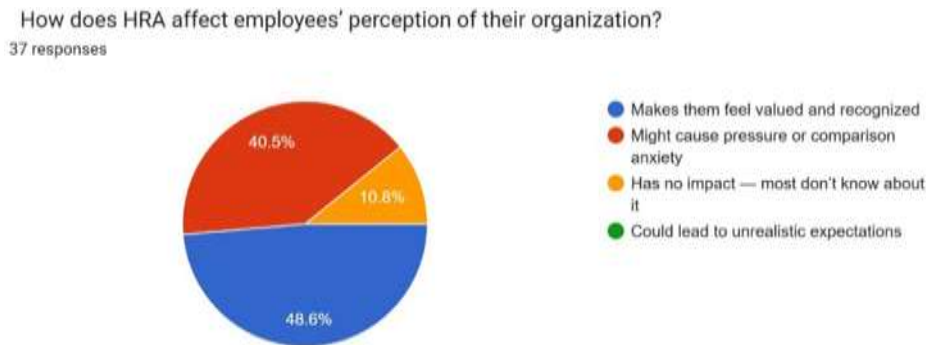


Figure 2: Respondents View affect of HRA In Employee's Perception Of Their Organisation

INTERPRETATION

The graph indicates that 48.6% of the respondents think that Human Resource Accounting (HRA) makes employees feel valued and recognized, and 40.5% think that it may create pressure or comparison anxiety. A lesser section (10.8%) believe that it has no effect since most employees might not know anything about it. This implies that although HRA in general has a positive effect on perception, it also poses a threat of inducing competitive stress among employees.

• BIGGEST CHALLENGE OF IMPLEMENTING HRA

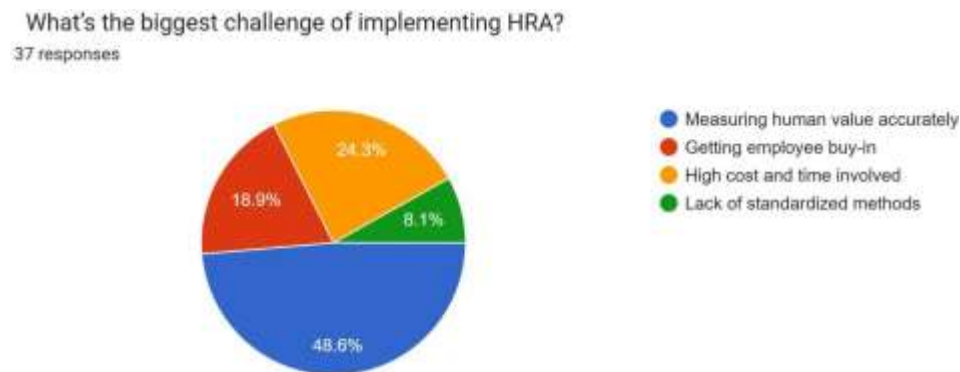


Figure 3: Respondents View Biggest Challenge Of Implementing HRA INTERPRETATION

The diagram illustrates that 48.6% of the respondents consider accurately measuring human value to be the greatest challenge in applying Human Resource Accounting (HRA). This is followed by excessive cost and time required (24.3%), buy-in by employees (18.9%), and non-standardized methods (8.1%). The findings identify that measuring human capital is still the key obstacle, reflecting the requirement for sound and practical valuation models.

• USING HRA IN RECRUITMENT DECISION



Figure 4: Respondents View On Using HRA In Recruitment Decision INTERPRETATION

The graph indicates that 53.7% of those who responded strongly agree that Human Resource Accounting (HRA) should be used in hiring, viewing it as a measure that brings long-term vision. Another 31.7% agree as among various criteria, while 9.8% are against it because of issues around hiring bias, and a minimal percentage are undecided. This suggests widespread acceptance for the inclusion of HRA in hiring decisions, with some reservations regarding ethical considerations.

CONCLUSION, LIMITATIONS, IMPLICATIONS, AND FUTURE RECOMMENDATIONS:

CONCLUSION

Human Resource Accounting (HRA) is found to be significantly underused in Bangalore healthcare industry even though it can contribute much to workforce planning and organizational performance. Although a few percent of hospitals, predominantly from the private sector, have introduced rudimentary HRA practices, most are unaware, lack technical tools, and there are not standardized guidelines. Statistical evidence supports a robust positive correlation between HRA adoption and key performance measures like HR budgeting, staff retention, and quality of service. Widespread use is, however, discouraged by operational challenges, particularly in government-owned hospitals.

LIMITATIONS:

- For Healthcare Institutions: The research highlights the significance of embracing formal HRA systems to enhance strategic HR management, employee retention, and cost management.
- For Policymakers: Results indicate the necessity for the Kerala state health department to consider publishing HRA guidelines or models for public and private hospitals.
- For HR Professionals: Invites HR executives to invest in workforce valuation training and digital tools.
- For Researchers and Academicians: Presents new opportunities for multi-disciplinary research integrating HR, healthcare administration, and accounting.

IMPLICATIONS OF THE STUDY

- For Healthcare Institutions: The research highlights the benefit of embracing formal HRA systems to enhance strategic HR management, employee retention, and cost management.
- For Policymakers: Implications indicate the necessity for the Kerala state health department to explore issuing HRA guidelines or frameworks specific to public and private hospitals.
- For HR Professionals: Calls HR leaders to invest in training and technology for workforce valuation and planning with data.
- For Researchers and Scholars: Provides new fields of interdisciplinary studies integrating HR, healthcare management, and accounting.

FUTURE RECOMMENDATIONS

- Build a low-cost and Bangalore-specific HRA system that is easy for hospitals to implement with limited training.
- Establish state or national level policy or regulation to promote hospitals to report HR value.
- Increase the sample size of the study to include more diverse and representative samples in terms of districts covered in Bangalore and types of healthcare staff.
- Support collaboration among government, private hospitals, and academic institutions in piloting HRA systems and software
- Carry out longitudinal studies to evaluate the long-term effect of HRA practices on hospital efficiency and quality of patient care.

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