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Human resource disclosure level of Indian companies

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Abstract
The study examines the level of human resource disclosure of top Indian companies across top industries using the Human Resource Disclosure Index. The study further explores the human resource disclosure from the industry spectrum using analysis of variance test. Content analysis is performed over the annual reports of selected companies to derive data for calculating the Human Resource Disclosure Index. As of now disclosure of information related to human resources is not mandated by the Companies Act 2013 and as a result, many companies are reluctant to disclose certain information about their Human Resources. The study confirms that the disclosure level in India is on the lower side across the industry and alarms the need for making disclosure practices mandatory under the Companies Act.

Keywords: Human resource disclosure index, content analysis, ANOVA, industry-wise analysis

Introduction
Recently, the field of Human Resource Management has witnessed a growing emphasis on the disclosure of human resource-related information by organisations. This trend is driven by the increasing recognition that human capital is a critical resource for sustainable competitive advantage. As organisations strive to attract and retain talented employees, stakeholders demand greater transparency and accountability regarding the management and utilization of human resources. In this context, the disclosure of Human Resource related information has gained significant attention, both academically and professionally. The study explores the extent and nature of human resource disclosure practices in Indian companies. It seeks to shed light on the factors influencing Human Resource (HR) disclosure, the content and quality of disclosure, and the potential implications for organisational performance and stakeholder trust.

"In a company, ownership and management are treated as two separate entities. Managers are appointed by shareholders to manage day-to-day affairs of the companies as shareholders are immense in numbers and they are widely scattered". Giving such a large task at hand brings about information asymmetry. The assessment of human resource disclosure in the HRDI is often subjective, as researchers may have different interpretations, leading to potential discrepancies in the result. The HRDI relies on the information disclosed by organisations in their reports. There may be a concern that companies could provide incomplete or selective disclosures, potentially leading to biased or incomplete assessments.

"Though many Indian companies disclose details on HR in the annual reports, the information is inconsistent, unstructured and incomparable". This makes it hard for analysts to compare the performance of the same company and/or between two companies. The assessment of HR disclosure is often subjective, leading to potential discrepancies and incomplete evaluations of HR practices. In the Indian corporate structure, ownership and management are treated as separate entities, creating information asymmetry that may impact the transparency and quality of HR disclosure.

Further, the human resource disclosure practices may show a similarity among the companies of a specific industry, as there exists an inherent tendency to follow the peer companies in all respects. Therefore, the study tries to explore whether there exists any industry-wise difference in HR disclosure among the companies.

Literature review: Aggarwal (2022) [1] investigated the effect of board structure on the Human Resource Disclosure Index (HRDI) in Indian corporates. BSE-100 companies were

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selected for the study and the final sample consisted of 64 listed Indian companies. The authors gathered data from the annual reports of the sample companies for seven years i.e. 2012-2019. Descriptive analysis, Pearson correlation matrix and OLS regression were used for analysis purposes. After further analysis, the output showed that 47.13% of the selected companies only disclosed HR-related information in their annual reports. They also concluded that board meetings, audit committees and CEO duality play a significant role in making a positive HRDI.

Bhattacharjee & Das (2022) [5] investigated the relationship between human resource disclosure and corporate attributes. The study used a sample of 63 companies listed on the NSE-100 for the period 2009-2010. The findings of the study suggested that larger companies and companies operating in more labour-intensive industries tend to have higher levels of human resource disclosure. The study also found a positive relationship between profitability and human resource disclosure practices.

Pham, *et al.* (2022) [9] investigate the connection between company attributes and human resource accounting disclosures of non-financial firms that are listed on the Vietnam Stock Exchange. The study collected data from the annual reports of 80 selected companies from 2016 to 2018. To evaluate the extent of human resource disclosures, content analysis is used. The human resource disclosure index, which is comprised of 32 items, is created to determine the level of voluntary disclosures by Vietnamese listed companies. To test the hypotheses, panel regression is used with techniques such as pooled-ordinary least squares, fixed effects model, and random effects model. The results showed that there is a significant positive relationship between the size of the firm, foreign ownership, and human resource accounting disclosures. However, variables like listing age, leverage, and profitability do not have any correlation with human resource accounting disclosures.

Verma & Aggarwal (2022) [11] investigated the factors that influence the human resource index of Indian companies. The study used a sample of 126 companies listed on the NSE-200 index for the period of 2012-13 to 2017-18. The study used an OLS regression analysis to identify the determinants of the human resource disclosure index. To compare the HRDI of public and private companies, the Mann-Whitney U test is applied. The factors such as net sales, market capitalization, ownership concentration, profit after tax and the total number of pages of an annual report were identified as significant determinants of human resource disclosure practices.

Aggarwal (2021) [2] examined the nexus between corporate governance and human resource disclosure in the Indian corporate sector. The study has taken 125 countries listed on the NSE-200 index for the period from FY 2012-2013 to 2019-2020. Descriptive statistics, Pearson correlation matrix, two-way least square dummy variable (LSDV) regression models are used for analysis. Outcomes of two-way LSDV regression model depicted that there is a significant positive impact of 'board size, board meeting, market capitalisation, pages of an annual report and a significant negative of board independence, promoter's holding, debt-equity ratio on human resource disclosure index of the selected Indian listed companies.

Aggarwal (2021) [2] investigated how company characteristics affect the Human Resource Disclosure Index

(HRDI) in service sector companies in India. The sample consisted of 22 service sector companies listed on the NSE-500 Index. The study covered the period from 2012-13 to 2017-18. Descriptive statistics, Pearson's correlation matrix, and One-way Least-Square Dummy Variable (LSDV) regression model are used for analysis. The findings showed that the average percentage of HRDI is 34.26, indicating a low level of HR disclosure. The results of the LSDV regression model reveal that net fixed assets, market capitalization, return on total assets, quick ratio, and the number of pages in an annual report have a significant positive impact on the HRDI. In contrast, net sales, profit after tax, current ratio, and type of auditor have a significant negative influence. Overall, the HRDI used in this study is an initial step in evaluating the voluntary HR disclosure practices of listed companies in India from the perspective of stakeholders, and voluntary disclosure of HR information can help rebuild stakeholder trust in the accounting system.

Aggarwal & Verma (2020) [3] provided a comprehensive review of the existing literature on the relationship between company characteristics and human resource disclosure practices. The study also provided empirical evidence on the impact of company characteristics on the human resource disclosure practices of Indian companies. The findings suggested that profitability and leverage do not have a significant impact on human resource disclosure practices. The study provided useful insights for policymakers and stakeholders interested in enhancing the transparency and accountability of Indian companies.

Garg & Kumar (2019) [6] explored the relationship between human resource disclosure in the annual reports and various company characteristics. The annual reports were sourced from the companies listed on the Dollex-200 for the year ending March 31, 2014. According to the study, the disclosure of information in annual reports is positively and significantly related to a company's market capitalisation. At the same time, there is no significant correlation between HRDI and other company characteristics such as net sales, profit after tax, total assets, industry type, age, profitability, liquidity, and leverage. The study also revealed that around 77% of Indian companies reported HRDI values between 20% and 50% in their annual reports.

Mishra & Mishra (2017) investigated the impact of company characteristics such as size, age, industry type, profitability, and leverage on the human resource disclosure index of Indian companies. The study used a sample of 155 companies listed on the Bombay Stock Exchange and National Stock Exchange for the period 2016-17.

Kaur, Raman & Singhania (2014) [7] tried to suffice the overcast that - Human resource disclosure is lower in Indian companies. Human resources are considered as the most important factor in a business venture and the authors argue that the current accounting standard does not value the resource. Out of the selected companies, only five had given a disclosure on their Human Resources which translates to 1%. They also stated that the disclosures are unstructured and inconsistent and most of all incomparable across companies and industries. S&P CNX 500 companies were taken into account for the measurement of their HRA.

With the evolution of corporate governance norms and an increased focus on sustainable development, the importance of HRM practices and disclosures has become even more prominent. Despite this significance, limited research has

explored HR disclosure practices specifically in the Indian context. Even among the few papers, the findings differ from each other. The major research gap is that there were no industry-specific studies found to date. This study aims to address this research gap by providing insights into the current level of HR disclosure in Indian companies and to understand whether there exists any industry-wise difference in HR disclosure.

Objectives of the Study
- To examine the level of Human Resource Disclosure among the top Indian Companies of the selected industries.
- To understand whether there exists an industry-wise difference in HR Disclosure.

Methodology
The study is analytical in nature. Four top industries in India are chosen as per market capitalization. Then five top companies as per market capitalization in each industry are selected for the study. Secondary data is collected from the annual reports (2021-22) which are available on the official websites of the selected companies.

Content analysis is performed on the annual reports of the selected companies to identify the components disclosed. Thereafter using the data, the Human Resource Disclosure Index (HRDI) for each company are calculated. Further, the ANOVA test is applied to test the hypotheses after checking the normality using the Shapiro-Wilk test.

Analysis and Discussion: The data are collected and compiled after performing content analysis of the financial statements of selected twenty companies from four industries. The four industries selected for the study are Automobile, Information Technology (IT), Banking and Healthcare.

The level of HR disclosure among the Indian Companies
The Human Resource Disclosure Index (HRDI) is calculated using the data segregated from content analysis of the annual reports of the financial year 2021-22 of the selected twenty companies. The Human Resource Disclosure components to be identified through content analysis are segmented into twelve components referring to previous studies. The selected components are:
- Number of employees.
- Valuation model used.
- Employee Retention rate.
- Age-wise distribution.
- Group Wise distribution.
- Gender-wise distribution.
- Turnover per employee.
- Employee cost.
- HR Policy.
- Health & safety.
- Human resource development.
- Benefits / Assistance to Employees.

The value 1 is given if any details related to the component are found in the annual report and 0 if not present. The HRD Indices of selected companies are expressed as percentages considering the total number of components disclosed. The formula used for HRDI is as follows.

$$HRDI\ of\ the\ Company = \frac{Total\ number\ of\ components\ disclosed}{12} \times 100$$

Table 1 shows the HRDI of selected companies and the industry average of HRDI.

Table 1: HRDI of Selected Companies and Industry Average

Companies	Total Score	HRDI (%)	Industry average (%)
Automobile			
Tata Motors	8	66.67	
Maruti Suzuki	9	75.00	
Mahindra and Mahindra	4	33.33	56.67
Hero Motor Corp	9	75.00	
Bajaj Auto	4	33.33	
IT			
TCS	9	75.00	
Infosys	7	58.33	
HCL	8	66.67	63.33
Wipro	9	75.00	
LTI Mindtree	5	41.67	
Banking			
HDFC	9	75.00	
ICICI	3	25.00	
Kotak Mahindra	10	83.33	46.67
Axis Bank	4	33.33	
Indusland Bank	2	16.67	
Healthcare			
Sun Pharma	8	66.67	
Divis Labs	5	41.67	
Cipla	6	50.00	56.67
Dr. Reddys Labs	7	58.33	
Mankind Pharma	8	66.67	
Average of all Companies		*50.75*	

Source: Self-generated (Collated from the annual reports of the selected companies through content analysis)

While comparing the averages of four selected industries, the IT sector has the highest average with 63.33%, based on the selected data set. The Automobile and Healthcare industry with an HRDI of 56.67% and the industry with the least disclosure is banking with an average of 46.67%. Kotak Mahindra seems to have the highest score which is 83.33. The average HRDI is on the lower side which confirms the arguments of previous studies that the Indian companies need to give a more focused approach to HR disclosure. Also, the content analysis revealed that HR-related information is not disclosed in a structured manner which makes it difficult for the stakeholders to pinpoint it.

Industry-wise difference in HR Disclosure
To understand which test is to be used to examine whether there exists an industry-wise difference in HR disclosure, the data is first tested for normality. Since the number of data points is less, the Shapiro-Wilk test is used (Royston, 1992) [10]. The p-value reported by this test is 0.06 which is higher than the significance level of 0.05 (the normality test Jarque Bera also reports p-value greater than 0.05 which is 0.42). Therefore, the data are normal. Since the data are normal, the study proceeded with a one-way ANOVA test.

The null hypothesis for the analysis is as follows
H0: There is no significant difference between industries in HR disclosure.

In hypothesis testing, the f-ratio is typically associated with an analysis of variance (ANOVA) test. The p-value associated with the f-ratio indicates the probability of obtaining the observed f-ratio (or more extreme) under the assumption that the null hypothesis is true.

Table 2: Results of ANOVA Test

	Auto	IT	Banking	Healthcare	Total
N	5	5	5	5	20
$\sum X$	283.33	316.67	233.33	283.34	1116.67
Mean	56.666	63.334	46.666	56.668	55.834
$\sum X2$	17916.6667	20833.6667	14582.6667	16528.5556	69861.5557
Std.Dev.	21.5725	13.9435	30.3895	10.8656	19.8865
Result Details					
Source	SS		Df	MS	
Between-treatments	708.45		3	236.15	F = 0.5552
Within-treatments	6805.5112		16	425.3445	
Total	7513.9613		19		

Source: Test Results

Since the p-value (0.65208) is greater than the significance level of 0.05 ($p < 0.05$), the analysis fails to reject the null hypothesis. This means that there does not exist a significant difference between the industries. Therefore, considering the low overall average HRDI, irrespective of industries, the companies on a general level fall behind in disclosing HR-related information in their annual reports.

Suggestions
Human Resources is stated as the most valuable asset in any organisation. HR is seen as a factor that helps run the business but is not given due importance when it comes to disclosing vital information in the annual reports. As pointed out in the previous studies awareness and acceptance are still low as many companies take little initiative to make the numbers public to shareholders, despite having the data. Just like how Corporate Social Responsibility Disclosure was made mandatory, Human Resource Disclosure should also be made mandatory in the legal frameworks.

One step ahead in making HR Disclosure compulsory, a uniform pattern incorporating necessary components of the disclosure can also be suggested to all companies, which will help the stakeholders to easily compare the details with those of the peer companies. It should be made mandatory that if the company has nothing to be disclosed under a particular component the company must specify it clearly, which will help the stakeholders to pinpoint the area to be focused on in the coming years. For example, if they have done anything for Human Resource Development in a particular year, they have to accept the fact openly in the report. Such a practice will compel the companies to focus on such areas, which will enhance the productivity of the human resource.

Conclusion
The study is conducted to understand the level of Human Resource disclosure in Indian companies. By considering twelve important components of HR disclosure, the level of disclosure is found to be on the lower side. As of now disclosure of HR is not mandated by the Companies Act 2013 and as a result, many companies are reluctant to disclose certain information about their Human Resources. Also, there exists no industry-wise difference in the disclosure. An overall average of the industry deduces the fact that mandatory disclosure of HR and developing a structured pattern of disclosure are necessary to increase the level of disclosure of HR in Indian Companies.

By examining the HR disclosure landscape in the Indian context, this study contributes to the existing body of knowledge on HRM practices and corporate reporting. The researchers, policymakers, and stakeholders can work collaboratively to identify best disclosure practices and to drive continuous improvement in human resource disclosure practices and promote responsible business conduct across all industries. The findings underscore the need for further research to deepen understanding of the factors influencing human resource disclosure practices and their implications for corporate transparency, accountability, and sustainability.

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