



A COMPARATIVE ANALYSIS OF PERCEPTION RELATED TO HUMAN RESOURCE ACCOUNTING AMONG SELECTED PUBLIC AND PRIVATE SECTOR COMPANIES OF INDIA

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ABSTRACT

In the present world of competition physical resources, financial resources and most importantly human resources are playing an important role in the organization's success. Human resources are considered as most important asset of the organization. So, now most of the corporate world have started the costing and valuing of their human resource by using different methods of human resource accounting but still this concept is struggling for its acceptance. Different organizations have their different point of view regarding accounting of human resources. The main objective of the present study is to make a comparative analysis of perception related to human resource accounting among selected public and private sector companies of India. Both primary and secondary sources were used for the collection of the data and for the purpose of the study. It was found that the selected public and private sector companies of India have different opinions regarding three factors of human resource accounting and have same opinions on one factor of the human resource accounting. But these companies are well aware about the human resource accounting and its importance in managerial decision-making.



KEYWORDS: Human Resource Accounting, Public, Private, Companies, India.

1. INTRODUCTION

In the present era of the globalization human resources are becoming most important part of the every organization. Human resources make the all physical assets i.e. plant, machinery and building etc. and financial resources of the organization productive and profitable with their skills, knowledge, talent and efficiency. Human resources have the ability to create income like other physical assets of the organization. So, the human resources should be valued like other assets of the organization. The human resource accounting concept is the solution to the problem of valuation or costing or accounting of human resources. "Human Resource Accounting is nothing but the process of identifying and measuring data related to human resource and communicating this information to interested parties" (American Accounting Association's Committee, 1973). "Human Resource Accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resource in the business" (Woodruff, 1970). Human resource accounting has the objective not only to provide information on cost and value of human resources to the organization but helps in taking decisions on human resources and managerial decision making. There are different methods of human resource accounting to cost and value of human resources i.e. the original cost method, the replacement cost method, the opportunity cost method, Flamholtz's method and Lev and Schwartz's method etc. The method of human resource accounting to be used by the organization depend on the purpose and user of the information. In developing countries like India the human resource accounting

concept is in the early stage of development. Different public and private sector companies i.e. NTPC, CCI, HPCL, HCL, MMTC, KPIT Technologies, SPIC and ACC Limited etc. has adopted the different methods for accounting their human resource and has been shown their cost and value in their annual reports.

2. REVIEW OF LITERATURE

Avazzadehfath (2011) explored the effect of information of human resource accounting on investment decisions. Further, the study examined in terms of qualitative characteristics of accounting information, the consistency of human resource evaluation method with Iranian companies. The data was collected through both primary and secondary sources. Random sampling technique was used in the study. Questionnaire was used for the collection of the data. It was found that the investment decisions affected by disclosure of human resource accounting and historical cost method which is most effective and appropriate method of evaluation was found consistent with Iranian companies.

Abhayawansa and Abeysekera (2008) analyzed the human capital conceptualization in disclosure literature by taking into consideration human capital importance in creation of firm value. The study was conceptual in nature and based on secondary sources. It was concluded that human capital to be depicted in such a way to resemble the value creation of potential employees of the firm.

Enyi and Akindehinde (2014) made a study to investigate the effect of HRA on the process of decision making. The study was empirical in nature. For the purpose of the study the data was collected through primary and secondary sources. The data was collected from 16 publicly quoted Nigerian banks by using a questionnaire. The study found that management decisions are significantly affected by the human asset. Further it was concluded that human asset should be valued and show their value in the financial statement.

Ingrid and Amaladas (2014) aimed to study the concept of human asset accounting in academic institutions which will help in institution's and society's development and further to study the effect on teaching faculty's productivity and institution's goodwill. The study was exploratory in nature. The data was collected through primary sources for the purpose of the study by using questionnaire from four selected colleges. There was found a significant impact on teachers' productivity and institution's goodwill. It was concluded that in academics human resource accounting should be introduced.

Mamun (2009) studied the relationship among corporate characteristics and disclosure of human resource. The study was empirical in nature. Primary and secondary both sources used for the study. For the purpose of the study 55 Dhaka Stock Exchange listed public limited companies were randomly selected. The study found that only 25% of the human resource accounting disclosure items disclosed by the companies. Further, there was found the relationship of disclosure of human resource accounting with company's size, category and profitability and concluded that on the age of company human resource disclosure had no influence.

Sharma and Shukla (2010) analyzed the human resource accounting application in heavy industries with the case study of The Hindustan Copper Limited. The study covered the period from 2001 to 2010. It was found from the case study that value of production per employee and value per employee was increasing during the period of the study but the number of manpower was decreased due to retirement of Hindustan Cooper Limited.

Sood (2016) studied the practices of human resource accounting. Further, the study identified the issue and challenges of human resource accounting. The nature of the study was conceptual. It was concluded that most of the organization did not value their human resources but plan to implement the human resource valuation methods in their organization and there is need of more efforts at theoretical as well a practical level.

3. OBJECTIVE OF THE STUDY

The main objective of the present study is to make a comparative analysis of perception related to human resource accounting among selected public and private sector companies of India.

4. RESEARCH METHODOLOGY

The research methodology which has been used in the present study is defined as following:

4.1 Sources of Data Collection

The nature of the present study is descriptive and exploratory. For the purpose of the study primary and secondary data has been used. Through a questionnaire primary data has been collected and the secondary data was collected from various books, journals, thesis, dissertations, annual reports and websites.

4.2 Sampling Design and Size

The data was collected through questionnaire on the basis of convenience sampling from selected public and private sector companies of India. In totality, the respondents were 70, out of which 40 respondents were from five public sector companies and 30 were from five private sector companies.

4.3 Techniques used for Data Analysis

Data Editor SPSS 20.0 (Statistical package for social sciences) version has been used for the analysis of the data. To analyse the data factor analysis and an independent t- test have been used.

4.4 Hypothesis of the Study

Keeping in view the objectives of the present study the following hypothesis has been formulated:

H_0 (1): There is no significant difference between the perception related to human resource accounting of selected public and private sector companies of India.

H_1 (1): There is significant difference between the perception related to human resource accounting of selected public and private sector companies of India.

5. A comparative analysis of perception related to human resource accounting among selected public and private sector companies of India

The data reduction technique i.e. factor analysis was applied, after verifying the reliability of the scale and testing the appropriateness of the data (Cronbach's alpha, KMO and Bartlett's Test of Sphericity) further to know the factors which are considered as important by the selected public and private sector companies related to human resource accounting and for which Principal Component Method was applied followed by Varimax Rotation Method.

The following table-1 exhibit that the KMO statistic value has been found out as 0.702 (which is greater than 0.6) which is acceptable which also shows the applicability of the factor analysis. In Bartlett's test of Sphericity, the approximate value of Chi-square statistic is 434.284 at 55 degrees of freedom significant at 5 percent level of significance ($p < 0.05$) which is showing the fitness of the data for factor analysis. The Cronbach's Alpha's value came out as 0.698 which lies between 0 and 1 and also found satisfactory.

Table-1
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.702
Bartlett's Test of Sphericity	Approx. Chi-Square	434.284
	df	55
	Sig.	.000
Cronbach's Alpha		.698
No. of items		11

Source: Primary Data. Data processed through SPSS 20.0.

Table-2 depicts the extraction of four factors, through Principal Component Analysis method by using Varimax rotation and the Eigen value which is greater than 1.0 (default option).

Table-2
Total Variance Explained

Components	Rotation Sums of Squared Loadings		
	Eigen Values	% of Variance	Cumulative % of Variance
1	3.342	30.382	30.382
2	1.888	17.166	47.549
3	1.645	14.951	62.500
4	1.326	12.052	74.552

Extraction Method: Principal Component Analysis.

The following table-3 shows for each variable, the extraction of communalities and factor loadings.

Table-3
Rotated Component Matrix^a

Sr. No.	Statements	Components				Communalities Extraction
		F ₁	F ₂	F ₃	F ₄	
1	HRA and replacement cost.	.941				.965
2	HRA and management accounting.	.931				.955
3	HRA and financial accounting.	.923				.874
4	HRA and opportunity cost.	.790				.769
5	HRA and contribution of HR.		.891			.824
6	HRA and future benefits.		.817			.813
7	HRA and accruing benefits.			.849		.776
8	HRA and cost of salaries and compensation.			.637		.575
9	HRA and value of HR in final accounts.				.645	.551
10	HRA and profit and loss account.				.601	.428
11	HRA and balance sheet.				.561	.670

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

Source: Primary Data. Data processed through SPSS 20.0.

By using factor analysis, the computed factors have been showing high positive factor loadings. These factors are named as 'HRA and different costs with accounting', 'HRA and benefits through HR', 'HRA and benefits on cost of employee expenses' and 'HRA and value of HR in accounts' with respect to the factor loadings.

5.1 Comparison of Means: Independent t-test for a comparative analysis of perception related to human resource accounting among selected public and private sector companies of India

The result of the hypothesis of the study has been exhibited in the following table-4. The four important factors used to compare the perception of selected public and private sector companies related to human resource accounting which are resulted from factor analysis. An independent t-test has been used on the basis of these factors.

To find out that whether there exists any significant difference or not between the mean scores of public and private companies about the perception related human resource accounting, an Independent t-test was applied.

Table-4
Comparison of factors of perception of selected public and private sector companies of India about human resource accounting

Factor Name	Public Company (N=40)		Private Company (N=30)		Independent Sample t- test	
	Mean	S.D	Mean	S.D	t	Sign.
HRA and different costs with accounting (F ₁)	-.259	1.026	.363	.855	-2.478	.016*
HRA and benefits through HR(F ₂)	.264	.473	-.369	1.377	2.210	.035*
HRA and benefits on cost of employee expenses(F ₃)	.213	.916	-.299	1.052	2.007	.049*
HRA and value of HR in accounts (F ₄)	.112	.942	-.157	1.075	1.031	.307

Source: Primary Data. Data processed through SPSS 20.0.

* 5% level of significance

The result of an independent t-test shows that the t-value has not been found significant at 10% level of significance in case of the factor 'HRA and value of HR in accounts' means regarding this factor there is no significant difference between the perception related to human resource accounting of public and private sector companies of India. The difference in mean scores has turned out significant at 5% level of significance in case of the factors viz., 'HRA and different costs with accounting', 'HRA and benefits through HR' and 'HRA and benefits on cost of employee expenses' shows that there is significant difference between the perception related to human resource accounting of public and private sector companies of India.

6. FINDINGS AND LIMITATIONS OF THE STUDY

From the study it was found that there is no significant difference between the perception related to the factor 'HRA and value of HR in accounts' of human resource accounting among public and private sector companies of India. It means the companies have same opinions on the factor 'HRA and value of HR in accounts'. But a significant difference has been observed between the perception related to the factors viz., 'HRA and different costs with accounting', 'HRA and benefits through HR' and 'HRA and benefits on cost of employee expenses' of human resource accounting among public and private sector companies of India indicating that regarding these three factors the companies have different opinions. The present study has the limitation of sample size which is restricted to 70 respondents from five public and five private sector companies.

7. CONCLUSION

Human resource accounting is that concept which has inspired debate among accountants over whether human resources are asset or not if they are asset then how their valuation can be made and concluded that human resource accounting is inevitable for every business and they should treat their human resources as asset and value them. Now the corporate world has started to account their human resources but still it is struggling for its acceptance. Whether the business world has different opinions about human resource accounting but the businesses accept the fact that human resource accounting has an important role in managerial decision-making.

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