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HUMAN RESOURCE ACCOUNTING- THE ABILITY OF USERS TO MAKE WISE DECISIONS- AN ANALYTICAL STUDY

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Abstract:-"Human Resource Accounting" is the offshoot of various research studies conducted in the areas of accounting and finance. Human resource is an asset whose value gets appreciated over the period of time provided placed, applied and developed in the right direction. Human Resource Accounting gives information regarding inner strength of organization and helps in making decisions regarding long-term investment in that organization. The study focuses on the analyses of reporting Human Resource accounting information in the financial statements of Indian companies has the ability of users to make wise decisions. Thirty Companies were selected for the study. The present study based on the primary data related to the factors of Human Resource accounting- Ability to make wise decisions. Descriptive statistics, Factor analysis, correlation and ANOVA were the statistical tool applied for the study.

Keywords: Human Resource Accounting, Wise decisions, ANOVA.

INTRODUCTION

The traditional accounting concept suggested that expenditure on human resource is treated as a charge against revenue as it does not create any physical asset. At present there is a change in this concept and the expenses incurred on any asset (as human resources) should be treated as capital expenditure as it yields benefits which can be derived for a long period of time and could be measured in monetary terms. Human resource accounting provides quantitative information about the value of human assets, which helps the top management to take decisions. HRA information can be useful for managerial decision making in different areas. This study gives a bird view about company's annual report which includes HRA has the ability of users to make wise decisions with different factors.

OBJECTIVE

To analyze the reporting of Human Resource Accounting information in the financial statement of Indian companies has the ability of users to make wise decisions.

Study Hypotheses

H0: There is no significant relationship between socioeconomic variables and HRA- Ability to make wise decisions.
H1: There is significant relationship between socioeconomic variables and HRA –Ability to make wise decisions.

METHODOLOGY

Research methodology is very important as it is needed for the future researchers, in order to accomplish the objectives of the research. A total of 16 well-designed questions were sent to thirty Indian companies which includes Human Resource Accounting which is listed in BSE 200 -2013 and some of the listed companies . Descriptive statistics, Factor analysis, Correlation and ANOVA are the statistical tools used for the study.

Population and Sampling

To collect enough data to test our hypotheses, multi-item scales were adopted from previous studies for the measurement of the constructs. All constructs were measured using 5-point Likert scales ranging from "strongly disagree" (1) to "strongly agree" (5). A face –to-face interview was conducted, In total 30 Indian companies which follows Human Resource Accounting were chosen for the study, with their employees acting as respondents to the survey Initially four hundred questionnaires were distributed to those companies but only received 300 filled up questionnaire. And hence a sample of 300 is selected for the study (which is nearly 75% of the response rate).

FINDINGS OF THE STUDY

Descriptive Statistics Analysis

SL.NO	Variables	Mean	Std. Deviation	Skewness	Kurtosis	RANK
DESCRIPTIVE STATISTICS OF HRA- THE ABILITY TO MAKE WISE DECISIONS
1	Attracts Shareholders	3.753	1.047	-0.637	-0.375	10
2	Investment Decisions	3.700	0.980	-0.571	-0.315	12
3	Shareholder needs HRA	3.647	1.009	-0.465	-0.331	14
4	HRA information higher- shareholders higher	3.520	1.033	-0.476	-0.533	16
5	True insight of organization	3.773	1.016	-0.554	-0.610	9
6	Brand Valuation	3.807	0.905	-0.781	0.308	6
7	Recruitment, Planning and control of HR	3.990	0.856	-0.916	0.991	3
8	Personnel Selection	3.893	0.855	-0.957	0.872	5
9	Effective and Efficient utilization of HR	3.927	0.897	-0.864	0.580	4
10	Internal decisions only	3.530	1.023	-0.318	-0.784	15
11	Budgeting, allocating and maintenance of HR	4.010	0.890	-0.850	0.186	2
12	Performance of Personnel	4.133	3.411	10.714	124.358	1
13	Managerial decisions	3.803	0.991	-1.010	0.737	7
14	Adequacy of Employees	3.747	0.836	-0.222	-0.514	11
15	Worth return	3.687	0.969	-0.426	-0.667	13
16	Investment in HR	3.793	1.004	-0.635	-0.223	8

From the above table the mean score of Performance of Personnel ranks first with 4.133 with the standard deviation of 3.411, Budgeting, allocating and maintenance of HR ranks second with 4.010 with the standard deviation of 0.890, the mean score of Effective and efficient utilization of HR is 3.927 with the standard deviation of 0.897 which ranks third position among the Ability of users to make wise decisions which is followed till fourteen rank according to the table, HRA information higher – Shareholders higher ranks fifteenth with mean 3.520 and standard deviation of 1.033 which is followed by Internal decisions only which ranks fifteenth with mean value of 3.530 and standard deviation of 1.023.

Factor analysis of the study variables

				Rotated Component Matrix				
				Component				
	Items related to HRA- The Ability to make wise decisions			Factor 1	Factor 2	Factor 3	Factor 4	
1	Attracts Shareholders				0.674			
2	Investment Decisions			0.585				
3	Shareholder needs HRA				0.642			
4	HRA information higher- shareholders higher				0.680			
5	True insight of organisation			0.644				
6	Brand Valuation				0.524			
7	Recruitment, Planning and control of HR						0.665	
8	Personnel Selection					0.640		
9	Effective and Efficient utilization of HR					0.545		
10	Internal decisions only						0.601	
11	Budgeting,allocating and maintanance of HR			0.555				
12	Performance of Personnel							
13	Managerial decisions					0.689		
14	Adequacy of Employees			0.784				
15	Worth return							
16	Investment in HR			0.515				
	Explained Variance			3.858	1.511	1.313	1.159	
	Proportional of Total Variance (in %)			25.718	10.071	8.755	7.729	

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a.Rotation converged in 12 iterations
Source: Primary Data

Table shows the result of Factor analysis of the HRA- Ability to make wise decisions of Indian companies. It is found from the table that there are four underlying factors (underlying dimensions) for HRA- Ability to make wise decisions of Indian companies. Among the 4, the first factor is highly loaded with Item 4 (0.784), Item 5 (0.644), Item 2 (0.585), Item 11 (0.555) and Item 16 (0.515) indicating that these factors have almost all the characteristics of above 5 items in it. Similarly, Factor 2 has all the essence of Items 4,1,3,6, Factor 3 of Items 13, 8, 9 Factor 4 of Items 7 and 10.

Also, all four factors together accounts for 52.273 (proportional of total variance is 25.718, 10.071, 8.755, 7.729 percent for Factors 1, 2, 3 and 4 respectively) of total variance (characteristics) in the original data set (16 statements). Based on the statement having loadings with factors, Factor 1 is named as "Adequacy of Employees", Factor 2 as "More shareholders", Factor 3 as "Managerial decisions" and Factor 4 as "Recruitment, Planning and Control".

Therefore, it is decided to use the dimensionality of HRA – Ability to make wise decisions further analysis. For the above purpose, the perception scores of the statements under each factor are averaged and average score has been used for finding the significant difference among the respondents with various demographic characteristics.

Correlation Analysis

	Category	Designation	Age	Gender	Qualification	Years of Experience	Years of Service in this organization	Adequacy of Employees	More Share holders	Managerial Decisions	Recruitment, Planning and control
Category of Employees	1										
Designation	.933**	1									
Age	.385**	.336**	1								
Gender	.007	.007	-.099	1							
Qualification	.480**	.471**	.389**	-.089	1						
Years of Experience	.433**	.367**	.753**	-.106	.485**	1					
Years of Service in this organization	.367**	.289**	.638**	-.136**	.377**	.821**	1				
Adequacy of Employees	.062	.166**	-.022	.105	.024	-.018	-.076	1			
More Shareholders	.061	.092	.050	.058	-.075	.037	-.021	.587**	1		
Managerial Decisions	.057	.096	.044	.060	-.069	.058	-.017	.545**	.826**	1	
Recruitment, Planning and control	.079	.122*	-.014	.011	-.109	.014	-.043	.537**	.508**	.727**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Hypotheses is rejected in the case of

1.The category of employees is correlated with Designation, Age, Qualification, Years of experience and Years of service in this organization.

2.Designation is correlated with category of employees, age, Qualification , Years of experience, Years of service in this organization and Adequacy of Employees

3.Age is correlated with category of employees, Designation, Qualification, Years of Experience and Years of service in this organization..

4.Gender is correlated with Years of service in this organization

5.Qualification is correlated with category of employees, Designation, Age, Years of experience and, Years of service in this organization..

6.Years of experience is correlated with category of employees, Designation, Age, Qualification, and Years of service in this organization

7.Years of service in this organization is correlated with all other socio economic variables

8.Adequacy of Employees which is factor 1 is correlated with Designation, More shareholders, Managerial decisions and Recruitment, Planning and Control..

9.More Shareholders which is factor 2 is correlated with all other three factors. Similarly, all other factors are correlated with remaining factors.

Hence it is concluded that each factor is correlated with other factor at 1% level and the null hypothesis i.e. there is no relationship between socio economic variables and factors related to HRA- Ability to make wise decisions is rejected.

ANOVA

ANOVA For significant difference between Categories of employees with HRA-Ability to make wise decisions

HRA-Ability to make wise decision Factors	Category of Employees			F value	P value
	Staff	Accountant	Management		
Adequacy of Employees	3.838 (0.575)	3.355 (0.608)	3.928 (0.660)	14.429	0.00**
More shareholders	3.688 (0.573)	3.580 (0.594)	3.770 (0.639)	1.704	0.184
Managerial decisions	3.762 (0.525)	3.616 (0.615)	3.834 (0.604)	2.384	0.094
Recruitment, Planning and control	3.804 (0.392)	3.673 (0.604)	3.893 (0.578)	3.173	0.043*

Note: The value with in bracket denotes standard deviation,**Denotes significant at 1% level.
*Denotes significant at 5% level.

With regard to the Category of respondents with HRA- Ability to make wise decisions table shows that the respondents from Management category have strongly agreed to all the four factors related to HRA- Ability to make wise decisions when compared to Staffs and Executives based on higher mean value (3.928, 3.770, 3.834, 3.893). But the insignificant F value(1.704 and 2.384) has revealed that the degree of acceptance does not vary across the Category of respondents except the factors "Adequacy of Employees" and   "Recruitment, Planning and control". Since the factors Adequacy of employees in Indian companies are easily found out using HRA and wise decisions like decisions made for the Recruitment, Planning and control of Human resource is done through HRA and hence HRA is needed for Indian companies and is significant at 1% and 5% level with the greater F value of 14.429 and 3.173.

In sum the above result shows that there is significant difference between the Category of respondents and HRA- Ability to make wise decisions in respect of 2 factor ie Adequacy of employees and Recruitment, Planning and control. Hence null hypothesis is rejected.

ANOVA For significant difference between Designations of employees with HRA-Ability to make wise decisions

HRA-Ability to make wise decision Factors	Designation		F value	P value
	Non Executive	Executive		
Adequacy of Employees	3.714 (0.619)	3.930 (0.657)	8.47	0.004*
More shareholders	3.659 (0.579)	3.771 (0.637)	2.55	0.111
Managerial decisions	3.724 (0.552)	3.835 (0.602)	2.767	0.097
Recruitment, Planning and control	3.769 (0.457)	3.896 (0.577)	4.507	0.035*

Note: The value with in bracket denotes standard deviation,**Denotes significant at 1% level.*Denotes significant at 5% level.

It is found from the table that the mean value of the Executive is greater than the Non executives in all the four factors related to HRA –Ability to make wise decisions (3.930, 3.771, 3.835, and 3.896).But the P value is significant only in 2 factors: Adequacy of Employees and Recruitment, Planning and Control. Since P value for the factor Adequacy of Employees is less than 0.01 it is significant at 1% level and the factor: Recruitment, Planning and control is less than 0.05 , it is significant at 5% level with F value of 8.47 and 4.507 respectively. Even though the mean value of executive in other 2 factors ie More shareholders and Managerial decisions is higher when compared to non executive the P value is not significant since the F value is lesser than three(2.55 and 2.767).

In sum the above result shows that there is significant difference between the Designation and HRA- Ability to make wise decisions in 2 factors.   Hence null hypothesis is rejected.

ANOVA For significant difference between Years of Experience of employees with HRA-Ability to make wise decisions

HRA-Ability to make wise decision Factors	Years of Service					F value	P value
	Less than 5 yrs	05 to 07	07 to 10	10 to 15	Above 15 yrs		
Adequacy of Employees	3.886 (0.689)	3.787 (0.575)	3.844 (0.617)	3.728 (0.640)	3.837 (0.687)	0.523	0.719
More shareholders	3.606 (1.040)	3.603 (0.588)	3.818 (0.516)	3.636 (0.494)	3.747 (0.643)	1.399	0.234
Managerial decisions	3.559 (0.773)	3.721 (0.569)	3.912 (0.482)	3.657 (0.528)	3.838 (0.613)	3.103	0.016*
Recruitment, Planning and control	3.893 (0.499)	3.718 (0.394)	3.908 (0.379)	3.693 (0.540)	3.902 (0.595)	2.932	0.021**

Note:The value with in bracket denotes standard deviation,**Denotes significant at 1% level.*Denotes significant at 5% level. From the table it was found that the P value is equal to 0.01, the null hypothesis is rejected at 1% level of significance with regard to Managerial decisions that is made in the Indian companies. Hence we can conclude that there is a significant difference between the Years of service and HRA – Ability to make wise decisions, this due to respondents mean level is higher in case of experience more than 15 years.

Since P value is less than 0.05, the null hypothesis is rejected at 5 percent level of significance with regard to Recruitment, Planning and control of human resources in Indian Companies. Hence we conclude that there is significant difference between Years of Experience with respect to HRA- Ability to make wise decisions, this due to respondents mean level is higher in case of experience more than 15 years.

There is no significant difference between the Years of Experience and HRA – Ability to make wise decisions with regard to Adequacy of employees and More shareholders, since P value is greater than 0.05.

ANOVA For significant difference between Years of Service in this organization of employees with HRA-Ability to make wise decisions

HRA-Ability to make wise decision Factors	Years of Service in this organization					F value	P value
	Below 2 yrs	02 to 04	04 to 06	06 to 08	Above 08 yrs		
Adequacy of Employees	4.023 (0.538)	3.782 (0.481)	3.836 (0.661)	3.741 (0.721)	3.787 (0.645)	0.996	0.410
More shareholders	3.697 (0.843)	3.751 (0.641)	3.749 (0.561)	3.662 (0.514)	3.703 (0.618)	0.217	0.929
Managerial decisions	3.824 (0.626)	3.733 (0.650)	3.861 (0.552)	3.662 (0.504)	3.797 (0.593)	1.155	0.331
Recruitment, Planning and control	3.934 (0.362)	3.752 (0.431)	3.944 (0.419)	3.695 (0.506)	3.841 (0.594)	2.477	0.044*

Note: The value with in bracket denotes standard deviation,**Denotes significant at 1% level,*Denotes significant at 5% level.

It is found from the table that the mean value of the years of service is higher in the 04 to 06 years of experience, but all other factors are not significant since the F value is not greater than 2. Since the P value of the factor Recruitment, Planning and control is less than 0.05, there is significant difference between the Years of Service and HRA- Ability to make wise decisions. The null hypothesis is rejected.

LIMITATION OF THE STUDY

Every research conducted has certain limitations. The limitations of this study are as follows:

1. Although 30 Companies were taken into consideration but the response rate was only 75% remaining 25 % may influence the data.
2. The study being conducted only in Indian companies which follows Human Resource Accounting and hence company specific cannot be generalized.

CONCLUSIONS

On summarizing the overall findings from the above analysis it was empirically proved that Human Resource accounting has given highest ability for the users to make wise decisions with regard to three factors ie Adequacy of employees, Recruitment, Planning and control and Managerial decisions. Since these three factors shows highly significant F value. Human resource accounting highlights the adequacy of employees to the management and so the managerial decisions like Recruitment, Planning and control is followed at the correct time and so the profitability of the concern also increases to the larger extend. In evaluating the mean and standard deviation Performance of personnel, Budgeting ,allocating and maintenance of HR and Recruitment, selection and control of HR ranks in first, second and third positions which implies HRA system can be used to take a variety of decisions in the area of human resource management. But HRA adopting companies are very low in India when compared with foreign companies and hence HRA should become mandatory in Indian companies.

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