



AN ANALYSIS OF THE PRACTICE OF HRA IN SELECTED PUBLIC SECTOR UNDERTAKINGS OF INDIA

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Abstract: Human capital is one of the most valuable assets of an organization which decides failure or success of an organization. It is the key to success; Development of human resource facilitates an organization to meet the challenges of the ever changing business scenario. Selected Public undertaking have been chosen to analysis the practice of HRA in these organization.

Index Terms - HRA, Human resource, Universal Accepted Model, HRD, Balance Sheet

I. INTRODUCTION

Public Sector Understandings occupy a commanding place in the scenario of India. It has grown enormously and cover almost every area of industrial activity. These enterprises have been set up to cover human resource development activities in addition to commercial activities. Public Sector Undertakings mostly operate in infrastructural areas and some of them are hazardous such as nuclear power generation, petroleum, refining, oil exploration and coal mining etc.

II. STUDY AREA

To analysis the practice of HRA in public sector undertakings, a study has been made to cover seven central public undertaking namely SAIL, BHEL, CCI, NTPC, HZL, MMTC, ONGC and approaches and models employees by them to value their human assets. Intellectual Capital is one of the most valuable assets of an Organisation. It is the key to success. Development of human resources facilitates an organization to meet the challenge of the ever-changing business scenario.

III. SAIL (STEEL AUTHORITY OF INDIA LIMITED)

SAIL in investing not only on modernisation of its technologies and equipment but also on human resource development through training, etc. To enhance their potential and meet the challenges of the new business realities in the changing economic scenario. The potential of our human resource is being harnessed to the maximum extent by developing and utilising them in an optimum way keeping in view the age and professional profiles.

For valuation of human assets, SAIL has adopted the "Economic Valuation Method" and the basic Model as conceived by Lev and Schwartz incorporating certain refinements as suggested by Eric Flamholtz and Jaggi Lau. Minor modifications have been made to suit special requirements. The human asset valuation is done by ascertaining the future anticipated earning and discounting the same to their present worth. Discounting has been done at 15 % SAIL has classified human assets into following categories - Viz. Managers, Executives, Supervisors, Clerical Staff, Skilled workers, and semi- Skilled or Un-skilled Workers.

IV. BHEL (BHARAT HEAVY ELECTRICALS LIMITED)

Human resources have been valued on the model based on Lev and Schwartz with the following assumptions:

- (i) Weightage for changes in efficiency due to age, experience and skills
- (ii) Normal career growth as per the present policies with vacancies filled from the levels immediately below
- (iii) Present pattern in employee compensation, including direct and indirect benefits, including the effect of provision for wage division
- (iv) Application of a discount factor of 12% per year on the future earnings to arrive at the present value.

V. CCI (CEMENT CORPORATION OF INDIA LTD.)

CCI is fully conscious towards human activities and gives almost attention and priority to maintain the human assets in fine fettle. The procurement, development, compensation, integration and Maintenance of human resource are thoughtfully controlled and Debtly directed so that individual's needs, organisational goals and social objective are successfully accomplished. A good insight into the existing human potential can be well perceived through the profile of the human power distributed profession wise and age wise, 41% of the total employees' strength of CCI represent technically and professionally qualified degree/diploma holders. As such 48% of total strength of the organisation represent the youth in the age group of 18-40.

Balance sheet or CCI says "In absence of clear cut, well defined and universally accepted model for evaluation of the economic worth of human assets of a company" an attempt has been made to assess the same by working out the present value of the anticipated future earnings of the employees taking into account the present pay scales and the promotional policies followed. The computation has been based on the guidelines and principles enunciated in the economic models developed by Lev and Schwartz, Eric Flamholtz and Jaggi and Lau with appropriate modifications.

VI. NTPC (NATIONAL THERMAL POWER CORPORATION)

The total HRD process of NTPC has resulted in a strong team which is technically competent and professionally qualified. This resource has been continuously endeavoring to take NTPC to commanding heights by improving its operational parameters and other productivity ingredients year after year. NTPC is taking a regular annual exercise to assess its human resource asset using various accounting principles embodied in human resource accounting principle and philosophy so that the importance of this resource always remains uppermost in its mind.

NTPC uses Lev and Schwartz economic model. The present worth of future earnings is calculated to arrive at the present human asset value assuming a discount factor of 12 % NTPC has supervisors classified and into three categories of Manpower i.e., executives, supervisors, Workmen.

VII. HZL (HINDUSTAN ZINC LIMITED)

HZL does HRA and uses Lev and Schwartz Model with following assumptions:

- (i) Career growth has been projected as per present policies with vacancies filled from the level immediately below.
- (ii) The present pattern of employee compensation has been taken into account.
- (iii) Present value of future earning is calculated assuming a discount factor of 12 %.

VIII. MMTC (MINERAL AND METAL TRADING CORPORATION)

In MMTC, human resources have been evaluated by working out the present value of the anticipated future earnings of the employees after taking into account the present pay scales and the promotional policies being. For arriving at the present value of future earnings of the employees, a discount factor of 12 % p.a. has been applied. The computation has been applied. The computation has been based on the guidelines and principles enunciated in Lev and Schwartz model. The present value of human earnings per employee amounted to Rs. 1.153 million and the value-added per employee of human capital is Rs. 0.870 Million as this time.

IX. ONGC (OIL AND NATURAL GAS COMMISSION LTD.)

ONGC has always given the highest priority to human resources development by formulating enlightened personnel policies from time to time in order to achieve its goals and objectives. The personnel policies from time to time in order to achieve its goals and objectives. The personnel policy seeks to follow a participative style and aims at creating an environment of mutual love and respect among employees by providing job satisfaction ensuring continuous development and career progression and providing better living and working conditions.

X. OBSERVATION

1. All the undertaken enterprises follow somewhat similar practice evolved out of the synthesis of the three approaches based on economic value as advocated by Lev and Schwartz, Flamholtz and jaggi and Lau may appear to be an improved version.
2. The forms of accounting and various components of accounting are not uniform in all the organisations.
3. A number of organisations adopted HRA practice and started reflecting the value of HR in their Annual Accounts as a supplementary information or as apart of social accounts.
4. The present value approach to HRA is still in the experimental stage. But it is already required in valuing some specific assets under general accepted human accounting standards.
5. All the organisations are more conscious and elaborative in regard to HRA except ONGC.
6. Formulation of general accepted human accounting standard is essential at this juncture.

XI. CONCLUSION

Until now, the efforts made are to value human resources an to integrate and present their value in the conventional financial statements. But if the real utility of HRA is to be derived, the whole Concept of preparing financial statement has to be changed. Financial Statements have to be prepared with a view which is based on human beings instead of the present view based on capital. The financial statement so prepared to show the human resources as assets to be termed as Human Financial Statement so prepared to show the human resources s assets to be termed as human based Financial Statements. Now it is required under law and Government guidelines for undertaking to maintain a separate item in their Balance sheet about Such HR activities undertaken by them. So undertakings must implement HRA with vigour and clear directions.

XII. REFERENCES

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