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AWARENESS OF HUMAN RESOURCE ACCOUNTING PRACTICES AMONG EQUITY INVESTORS IN PUNE CITY

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ABSTRACT

It is highly complex in the today's market find well knowledge and highly motivated people. Human resource is one of the most centres required to all organization the main concepts of human resource accounting are valuation, treatment and reporting on investment link to employees. It is very helpful for the stockholder for contributing in the capital of the organization. At all levels and areas of the organization human efficiency is needed with machine efficiency. Human can work without machine but machine can't. The study aim on the awareness of human resources accounting practices among the equity shareholders in Pune city.

The data collection was done through a structured questionnaire for analysis. The data was analyzed through paired sample t-test which has shown the before and after effects of investment by the investors. The study disclosed that the investors were aware about the Human Resource Accounting Information. The study also disclosed that the level of awareness about HRA information is high.

KEYWORDS: Awareness, Human Capital, Human Resource Accounting, Investment Decision

INTRODUCTION:

The main objectives of the accounting information, available in the issue financial statements of the organization, is to most familiar the shareholders and other concerned with the working of the companies during the past one year. Such information is used for investment purposes. In special among these is the use for investment purposes. For long, people have made use of the produce reports for judging the in the making and growth of the company for making investments. For example, Creditors make use of financial reports to establish the credit-upright of a company.

HRA is a process where the human resources of the organization are valued based on the cost involved in recruiting, training, selecting, lease and developing the employees. Even though it is a practice of the accounting to show all the cost related to human resources as expenses, the system of HRA try to give substance to the organizational work force as property.

The first stage of HRA was found in Service sector as the roles played by employees in this sector were very important. But now-a-days it has started getting importance that many companies in developed countries in every sectors have been using HRA.

Even though many advantages have contributed HRA, yet its development and application in different industries or companies in India has not been encouraging. The reason being the Indian companies' act 1956 does not lay out any scope for showing any information about HR in financial statement. As a result of development of Business and industries, few of the companies in India both public and private sectors, value their employees and disclose in their annual report.

Based on the uses of bring out information and on the concept that external decision makers incorporate information on physical and monetary resources of a company in their investment decisions; this study has examined the awareness HRA practices among the Equity Investors in Pune City. The finding of the study has been drawn based on the analysis of the data collected using structured questionnaire.

LITERATURE REVIEW:

The concept of valuing human resources in monetary terms for the first time was done by Sir William Petty in the year 1691. According to him the labour was —the father of wealth and it must be included in the estimation of national capital. The Research made by William during the year 1853 and Earnest Engle in 1883. But the true exertion commenced during 1960's when behavioral scientists strongly objected the traditional accounting practice of not valuing the human resources with other resources. As a result, economists and accountants understood the fact that a proper method has to be developed for valuing the people in the corporate. In this backdrop, many researchers have worked on it and developed some methods for evaluating employee work force. For managing people in the organization effectively valuing them is the difficult task as per the behavioral scientist (Liker, 1967). Flamholtz, Bullen and Hua (2003), utilized the HRA measure of expected realizable value of the individuals to the firm. They had also identified that the HRA valuation provide higher level management with an alternative accounting system to measure the cost and value of people to the organization.

Roger H. and Herman son (1964) developed —The Unpurchased Goodwill Model according to this model, the organization must ascertain its actual earnings and average it for the past few years.

RenisLikert and David G.Bower(1973) introduced —The Causal, Intervening, and End-result Model and according to them, the development of participative approach requires the introduction of new organizational structure and style of management behavior and these views as causal variables.

Myers and Flowers (1974) developed a —Five Dimension Mode according to these model five dimensions of the employees like knowledge, skills, health, availability and attitudes have to be considered.

According to Bullen (2007), HRA can play a crucial role in internal managerial decision-making. Bullen strongly believe that measuring HRA can be used to show that investments in a company's human resources may result in long-term profits for the company. He further stressed that when managers go through the process of measuring human resources, they are more likely to focus on the human side of the organization and are more likely to consider human resources as valuable organizational resources. In a deeper perspective, Flamholtz, Bullen and Hua (2003), utilized the HRA measure of expected realizable value, and found that employees' participation in a management development program increased the value of the individuals to the firm. In addition, the authors noted that the HRA measurements provide upper level management with an alternative accounting system to measure the cost and value of people to an organization. Davidove and Schroeder (1992) admitted that too many business leaders have no generally accepted definition or accounting procedure for tracking training investments, and noted that a lower training investment is not automatically better for an overall return on investment. The authors suggested that although many business leaders still view training as an overhead expense, with thorough return-on-investments (ROI) evaluations, businesses could be convinced to view them as part of assets crucial to organizational success.

The researchers by name (Monday, 2017) examined the issues involved in valuing human resources working in organizations. It is an exploratory research. The paper revealed the exponent of recording and disclosing the accounting information relating to human resources in the books of account or financial statements of the organization. The paper concludes that considerable research done is due to the increasing importance of human capital in the economy.

OBJECTIVES OF THE STUDY:

- To search the definitions, views of Human Resource Accounting (HRA).
- To know whether the stock investors in Pune are aware about HRA information.
- To analysis the influence of awareness of HRAI on investment decisions.

METHODOLOGY:

The study concentrates on the awareness about HRA information by the equity investors in Pune City. The study is an exploratory research. For the study equity investors in Pune city were the respondents. A structured questionnaire to understand the level of awareness was designed. The questionnaire consisted of the questions relating to traditional financial accounting information and HRA information. The respondents has been asked to rate the degree of their understanding towards the various parameters like Return on Capital Employed, Net Sales, Earning per Share, Book Value per Share, Sales per Employee, Employee cost as a percentage of total revenue. The researcher distributed 200 questionnaires among equity investors and 180 questionnaires were duly returned. The statistical measures used for analyzing the data were Mean Value and Standard Deviation. And also t-test was adopted to arrive at meaningful conclusions

Views of Human Resource Accounting (HRA)

Definition of HRA:

- “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**
- “A term used to describe a variety of proposals that seek to report and emphasize the importance of human resources – knowledgeable, trained and loyal employees in a company earning process and total assets.” -**Davidson and Roman L Weel**
- “Human resource accounting is the measurement of the cost and value of the people for the organisation.” - **Eric Flamholtz of university of California, Los Angeles**

HYPOTHESIS:

H01: there is no significant difference in understanding between traditional financial accounting information and HRA information.

ANALYSIS:

A paired samples t-test was used to find out whether the equity investors in Pune City are aware about the Human Resource Accounting Information. The following table depicts the results.

TABLE 1: PAIRED SAMPLES STATISTICS

		Mean	N	Std. Deviation
Pair 1	Awareness of HRAI	3.8888	180	.5880
	Awareness of FAI	3.6111	180	.6025

The above table it could be conclude that the mean value of Awareness of HRAI is more (3.8888) than that of FAI (3.6111). It shows that equity investors are aware about the HRA.

HYPOTHESIS:

H02: there is no influence of awareness of HRAI on Stock investment decision among stock investors.

To analyze the above hypothesis a paired samples t-test has been conducted. The results of the Same are presented in the following table.

	Mean	N	Std. Deviation
Pair 1 ROCE before	2.58	180	.517
ROCE after	2.59	180	.686
Pair 2 Net Sales Before	2.60	180	.707
Net Sales After	2.66	180	.668
Pair 3 EPS Before	2.49	180	.721
EPS After	2.51	180	.431
Pair 4 Book Value Per Share Before	2.20	180	.559
Book Value Per Share After	2.18	180	.564
Pair 5 NOCF Before	2.15	180	.585
NOCF After	2.28	180	.940
Pair 6 ROE Before	2.50	180	.821
ROE After	2.99	180	.595
Pair 7 NPM Before	2.88	180	.507
NPM After	2.74	180	.516
Pair 8 Investment in A before	22473.82	180	14253.995
Investment in A After	14027.43	180	13391.308
Pair 9 Investment in B before	27526.18	180	14253.995
Investment in B After	35972.57	180	13391.308

TABLE 3: PAIRED SAMPLES STATISTICS

The table above the mean value for ROCE, Net Sales, and EPS is more after disclosing human resource accounting information. This means that the investor has given more weight age for the specified financial accounting information after disclosing HRA information.

The mean value for Book Value per Share and Net Operating Cash Flow is same. This says that the investors are indifferent between the specified traditional FAI and HRA information.

The mean values of Return on Equity and Net Profit Margin is less after disclosing HRA information. This shows that the investors have given less heaviness age for ROE and NPM after disclosing HRA information.

CONCLUSION:

This study was undertaken to determine whether the stock investors in Pune are aware about HRA. From the above analysis it has been concluded that the stock investors are aware about the HRA information. But the investment decision was not affect by awareness about HRA details by the stock investors.

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