

Disclosure practices of Human Resources Accounting (A case study of Indian Companies)

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ممارسات الإفصاح في محاسبة الموارد البشرية (دراسة حالة للشركات الهندية)

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Abstract:-

The study attempts to provide detailed discussions of the philosophy and epistemology of human resource accounting. Additionally, the research concentrated on the financial reporting issues of the listed companies in India and how human resource accounting can improve. The study comprises of those listed companies which trading on the Bombay Stock Exchange (BSE) as at the end of December 2021.

More particularly the study is confined to examining the perceptions of the managers and accountants from finance and accounting parts about the human resource accounting information which is required to be disclosed and the manner of disclosing this information in Indian companies. The objective of the study is to obtain the views and ideas of managers and accountants about the disclosure practices of human resources accounting. Various statistical tests in SPSS were employed for analyzing data, testing hypotheses, and finding a statistically significant difference concerning study sample.

Key words: Human Resources Accounting, Bombay Stock Exchange.

المخلص:-

تحاول الدراسة تقديم مناقشات تفصيلية حول فلسفة ونظرية محاسبة الموارد البشرية. بالإضافة إلى ذلك، ركز البحث على قضايا التقارير المالية للشركات المدرجة في الهند وكيف يمكن تحسين محاسبة الموارد البشرية. تتألف الدراسة من تلك الشركات المدرجة التي يتم تداولها في بورصة بومباي (BSE) اعتباراً من نهاية ديسمبر ٢٠٢١.

وبشكل خاص تنحصر الدراسة في دراسة تصورات المديرين والمحاسبين من الشق المالي والمحاسبي حول المعلومات المحاسبية المتعلقة بالموارد البشرية المطلوب الإفصاح عنها وكيفية الإفصاح عن هذه المعلومات في الشركات الهندية. الهدف من الدراسة هو الحصول على آراء وأفكار المديرين والمحاسبين حول ممارسات الإفصاح في محاسبة الموارد البشرية. وتم استخدام الاختبارات الإحصائية المختلفة في برنامج SPSS لتحليل البيانات واختبار الفرضيات وإيجاد فروق ذات دلالة إحصائية لدى عينة الدراسة.

الكلمات المفتاحية: محاسبة الموارد البشرية، بورصة بومباي.

INTRODUCTION

Disclosure practices of human resource accounting vary across different countries and industries. Some studies have found a low adoption rate of HR accounting, with no standard method for valuation and no legal provision for its adoption and disclosure in annual reports¹. However, there is evidence that the adoption of HR accounting practices can lead to increased profitability and employee efficiency.Amit, Arora., Ankit, Panchal. (2022). Human Resources Accounting Disclosure Practices (HRADP). doi: 10.4018/978-1-6684-3873-2.ch102 In India, IT companies have shown a moderate level of HR accounting disclosure in their annual reports, although it is only on a voluntary basis and mostly of a descriptive nature². In India, private and public companies have different practices, with public sector companies increasingly adopting HR accounting practices³. Among ASEAN countries, Indonesia has the highest HR accounting disclosure practices, followed by Thailand, Vietnam, Malaysia, Singapore, and the Philippines⁴. Overall, there is a need for better institutionalization of HR accounting disclosure practices for improved corporate governance⁵.

SCOPE OF THE STUDY

The study attempts to provide detailed discussions of the philosophy and epistemology of human resource accounting. Additionally, the research concentrated on the disclosure practices of HRA of the listed companies in India. The study comprises of those listed companies which trading on the Bombay Stock Exchange (BSE) as at the end of December 2021.

More particularly the study is confined to examining the perceptions of the managers and accountants from finance and accounting parts about the human resource accounting (HRA) and the disclosure practices of human resource accounting.

RESEARCH METHODOLOGY

Research Design

The study employed a synthesis of descriptive and analytical research methods. The study examined the manner of disclosing human resource accounting information and Appropriate Human

Resource Accounting Information Which Is Required to Be Disclose. Data were collected from the administration of the questionnaire to obtain evidence of patterns among the population of the study.

POPULATION OF THE STUDY

There is no systematic report available of the companies practicing HRA and in the absence of a system like annual reports library in India; it is tough to collect the information about the Indian companies practicing HRA.

After identifying the HRA practicing companies, the study evaluated the manner of disclosing HRA information and the appropriate human resource accounting information which is required to be disclosed. For this purpose, certain common and more useful variables were identified. This set of information was collected from the published annual reports of the companies, besides the extensive literature survey.

OBJECTIVE OF THE STUDY

To obtain the views and ideas of managers and accountants about the disclosure practices of human resources accounting

HYPOTHESES OF THE STUDY

There is no significant difference in the views and ideas of managers and accountants about the disclosure practices of human resources.

RELIABILITY AND VALIDITY

Reliability and validity analysis has been made for the questionnaire for the company managers, accountants, and staff. The researchers asked 62 questions. The validity has been done by applying and consulting a group of expert.

The Cronbach's Alpha test has been used to test the reliability of the questionnaire.

SAMPLING

The multistage sampling method was employed for choosing the sample size of the study based on top hundred companies published by the Bombay Stock Exchange (BSE)

Companies which are applying HRA system

Table1. Name of the companies practicing HRA

Number	Name of the company	Type	Number of Employees	Headquarter
1	Hindustan Petroleum Corporation Ltd (HPCL)	Public	11,226	Mumbai
2	Hindustan Zinc Limited (HZL)	Public	6,742	Udaipur
3	Infosys Technologies Limited (INFOSYS)	Private	200,364	Bengaluru
4	National Thermal Power Corporation (NTP)	Public	21,633	New Delhi
5	Steel Authority of India (SAIL)	Public	82,179	New Delhi
6	Associated Cement Companies (ACC)	Public	10,000	Mumbai
7	Oil India Limited (OIL)	Public	9,000	Assam
8	Bharat Heavy Electrical Limited (BHEL)	Public	39,821	New Delhi
9	Oil and Natural Gas Corporation Limited (ONGC)	Public	33,560	Uttarakhand
10	Indian Oil Corporation (IOC)	Public	34,659	New Delhi
Total			449,184	

Source: Bombay Stock Exchange

SOURCES AND METHODS OF DATA COLLECTION

This study used both primary and secondary data in an attempt to achieve the set objectives of the study and to solve the problem under study. The study recognized the importance of primary data and used them in concluding the problem under study.

VARIABLES USED IN THE STUDY

There is no set procedure for assessing the human resource accounting system in selected Indian companies. Human resource information which is required to be disclosed and the manner of disclosure of human resource accounting information are to be subjected to a detailed study. The available literature and the theories

in this field suggest framing tentative variables and their factors or items that together stand to signify the research study.

Table2. Lists of Variables used in the Study

Variable	Variable
Helpful HRA Information	Human resource accounting
Manner of disclosing HRA information.	

Source: survey data

Table2.Presents the list of different variables, It is apparent that the human resource accounting system is the dependent variable by two independent variables such as human resource accounting information to be collected in addressing the needs of users of information and the manner of disclosing HRA information. The study has been testing the perceptions of managers, accountants, and staff about important independent variables for the human resource accounting system.

Appropriate Human Resource Accounting Information Which Is Required To Be Disclose

- 1) Total expenditure made on employees during the year
- 2) Turnover per employee
- 3) Human resource value per employee
- 4) Human resource training cost
- 5) Ratio of human resource value to return on Human resource value
- 6) Cost of human resource turnover to human resource value
- 7) Ratio of total revenue to human resource value
- 8) Ratio of return on human resource value
- 9) Ratio of human assets to total assts.

1.7.13 Manner of Disclosing Human Resource Accounting Information

- 1- Part of audited financial statements in the annual reports
- 2- As an unaudited supplement to the annual reports
- 3- Separate statements parallel to annual reports

Definition of Human Resource Accounting

Dhaliwal, G. S., & Singh, B. (2000)⁽¹⁾, in their book reports that human resource accounting is not developed fully. The increasing interest in human resource accounting is likely to result in creating problems for many accountants. They noted that in one hand, human resource, accounting is new and unknown in the field of accounting for accountants. This area deals with variables that are particularly difficult to measure and are beyond the range of what has been considered "accounting" in the past. On the other hand, it is obvious that accountants have special skill and talent which can be applied in the development of human resource accounting systems.

R. K. Mlik (2000)⁽²⁾, in his article concludes that, human resource measurement and its useful information have become a new and interesting topic in the area of accounting. Today the demand of investors and management to have more reliable information about human resources for getting better decisions to improve the activities and performance of a firm is increasing.

Abdul Reza. Talaneh & Porya Nasab Amir (2000)⁽³⁾, noted, there is no doubt that an organization needs information regarding human resources for effective decision making. The topic of human resource accounting has become more under consideration as the success of most companies based on their manpower and human resources. They stated that the effects of these improvements in the level and type of employment have been considerable.

Analysis and interpretation

Information which is require to be disclose

Table3. Distribution of sample by their opinion regarding Information required to be disclose

Variables	Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	Mean	S D	t	Sig .
Total expenditure on Employee	5	11	117	64	188	4.09	1.01	21.162	0.000
	1.30	2.86	30.39	16.62	48.83				
Turnover per Employee	11	126	15	109	124	3.54	1.31	8.115	0.000
	2.86	32.73	3.90	28.31	32.21				
HRV per Employee	15	172	27	46	125	3.2	1.	3.4	0.0

	3.90	44.6 8	7.0 1	11. 95	32.47	4	40	16	01
HR training Cost	12	25	78	25 8	12	3.6 1	0. 79	15. 084	0.0 00
	3.12	6.49	20. 26	67. 01	3.12				
Ratio of HRV to Return on HRV	19	40	200	10 8	17	3.1 7	0. 86	3.8 11	0.0 00
	4.95	10.4 2	52. 08	28. 13	4.43				
Cost of HR turnover	9	23	48	29 4	11	3.7 1	0. 72	19. 392	0.0 00
	2.34	5.97	12. 47	76. 36	2.86				
Ratio of Total Revenue to HRV	11	15	23	24 2	94	4.0 2	0. 85	23. 632	0.0 00
	2.86	3.90	5.9 7	62. 86	24.42				
Return on HR value	15	22	31	29 8	19	3.7 4	0. 80	18. 065	0.0 00
	3.90	5.71	8.0 5	77. 40	4.94				
Ratio of Human Asset to total Asset	23	34	49	11 8	161	3.9 4	1. 20	15. 311	0.0 00
	5.97	8.83	12. 73	30. 65	41.82				

Source: primary data

From the above table it can be seen that most of the of the respondents agree and strongly agree with the different HRA information which is required to be disclose and a few people were disagree and strongly disagree regarding this facts.

With respect to table 3, the 'total expenditure on employees' acquired the highest mean score (4.09) among the others. The lowest mean opinion score belongs to 'ratio of HRA to return on HRV. Ratio of total revenue to HRV and ratio of human assets to total asset has got second and third mean opinion score of 4.02 and 3.94.

It is also shows that there is significant difference among the respondents opinion regarding the HRA information which is required to be disclosed as the significance level is less than 0.05.

The Manner of disclosing human resource accounting information

Table 4. Distribution of sample by their opinion regarding Manner of disclosure

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	SD	T	Sig.
Part of Audited financial statement	13	109	117	70	76	3.23	1.16	3.827	0.000
	3.38	28.31	30.39	18.18	19.74				
As an Unaudited financial statement	14	74	166	23	108	3.36	1.18	5.908	0.000
	3.64	19.22	43.12	5.97	28.05				
As a Separate Statement parallel to annual reports	10	145	14	107	109	3.42	1.31	6.213	0.000
	2.60	37.66	3.64	27.79	28.31				

Source: primary data

With respect to above table disclosure of HRA information as a separate statement parallel to annual reports acquired the highest mean score (3.42) among the others. Disclosing HRA information as a part of audited financial statement has got the lowest mean opinion score of 3.26. It is also shows that there is significant difference among the respondents opinion regarding the manner of disclosing HRA information as the significance level of t-test is less than 0.05.

SUMMARY OF FINDINGS

The present study analyzed the study of human resource accounting system in selected Indian companies. The study conducted to obtain the views and ideas of managers and accountants about the disclosure practices of human resources accounting of selected companies in India. It also tries to find out the manner of disclosing HRA information.

The null hypothesizes of the study is as follow:

1- There is no significant difference in the views and ideas of managers and accountants about the disclosure practices of human resources accounting.

FINDINGS

Objective of the study is to obtain the views of managers and accountants about the disclosure practices of HRA. For this purpose, the information which is required to be disclosed and the manner of disclosing HRA information have been taken. The responses were converted into scores, and then the scores were tested for significance.

It is found that,

- Most of the respondents agreed with the different HRA information which is required to be disclosed, and a few people disagreed regarding this fact.
- It is found that the “total expenditure on employees” obtained the highest mean score (4.09) among the others.
- The ratio of total revenue to human resource valuation (HRV) and the ratio of human assets to the total asset have got second and third mean opinion score of 4.02 and 3.94.
- The lowest mean opinion score belongs to “ratio of HRA to return on HRV.”
- The result of ANOVA and MANOVA revealed that there is a significant difference among respondents regarding the requirement of HRA information to be disclosed by Indian companies as the significance level is less than 0.05.

From the next part of the objective's question, it can be seen that:

- Most of the respondents agreed with the fact that HRA information must be disclosed as a separate statement parallel to annual reports of the companies.

In the above analysis two main aspects of HRA information namely; the requirement of HRA information to be disclosed and the manner of disclosure has been studied. With the help of MANOVA, the opinions of managers and accountants were analyzed with respect to their characteristics. The result of MANOVA indicated that there is a significant difference in the level of the agreement of managers and accountants on the elements of the studied aspects of HRA information with respect to all of their characteristics except academic qualification. Hence the result reject the null hypothesis that “There is no significant difference in the views and ideas of managers and accountants with regard to the disclosure practices of human resource accounting” and accept the alternative hypothesis that “There is significant difference in the views and ideas of managers and accountants with regard to the disclosure practices of human resource accounting”.

CONCLUSION

HRA information is helpful in addressing the needs of the users of the information in the organization. From the managers and accountants' point of view, it can be seen that they are agreed with the fact that HRA information must be disclosed as a separate statement parallel to annual reports of the companies.

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