



Human resource accounting practices in Hindustan Petroleum Corporation Limited

KEYWORDS

Human Resource Accounting, Employees cost, human resource value

Sanghani Amisha R.

Assistant Professor, Shree H. N. Shukla college, Rajkot

ABSTRACT Human resource is considered as most significant and valuable asset which a company possesses and on which its profitability depends. It is important for the organizations to conduct human resource accounting practices in order to know how efficiently their human asset is utilized. Present study is conducted with a view to know human resource accounting practices in Hindustan Petroleum Corporation Limited. The study highlights disclosure pattern of information regarding human resource accounting in HPCL. It also highlights relation between HRV and net profit, HRV and employees cost and HRV ant total assets

1. Introduction

The resources required for an organization can be classified into two categories, viz., human and physical resources. Machines, materials, money are considered as physical resources. The physical resources cannot work themselves. So the success of a business relies on how best these scarce physical resources are used by the human resource. An organization having immense physical resources may sometimes miserably fail as it does not have right people to manage and to conduct its affairs, yet the accountant have concentrated on the financial and physical resources, and neglected this important ingredient of social system, despite the fact that the performance of the enterprise itself is the product of human activity.

A balance sheet that does not reveal the current value of company's human assets does not reveal the real picture of company's position. This is because the future profit and position of a company always depend upon the quality of its human talent.

Human Resource Accounting is accounting for people as organizational assets. It involves identifying and measuring data about Human Resource and communicating this information to interested parties. It is an information system that tells to the decision makers of organization what changes over time are occurring to the Human Resource of organization.

Some important definitions given by the competent authors are as follows:

Eric Flamholtz (1971) defines HRA as "the measurement and reporting of the cost and value of people in organizational resources"

American Accounting Association (1973) defines Human Resource Accounting: as "the process of identifying and measuring data about human resources and communicating this information to the interested parties."

Thus, HRA not only involves measurement of all the costs / investments associated with the recruitment, placement, training and development of employees, but also the quantification of the economic value of the people in an organization

2. Review of literature

Syed Abdulla Al Mamun (2009) observed the relationship between corporate attributes and HRA disclosure of listed companies of Bangladesh. The study shows that companies with higher profitability and larger companies intended to disclose more HRA information than smaller companies. In addition, it also finds that highly regulated financial companies are disclosing more HRA information than non financial companies. The paper also reveals the fact that the level of disclosure of the listed companies is not so high and it was just one fourth of the selected HRA disclosure items which can be topic for further research focusing on the reasons of reluctant attitude of listed companies in Bangladesh to disclose the HRA information.

H.K.Singh and Vivek Singh (2009) studied HRA practices of Infosys technology limited and its usefulness in HR decision. The researchers conclude that the HRA practice of Infosys technology limited is satisfactory. However, they suggested few steps to make it more effective. The researchers suggested that Infosys should disclose elements of employees cost, information regarding the inclusion of variables like amortization of human resources, idle time, lock outs, loyalty of employee's etc. They also suggested that as far as possible, rate of discounting future earnings of employees should be kept constant.

Dr. Nidhi Sharma and Hitendra Shukla (2012) observed that there is existence of an inverse relationship between the performance metrics (ROA) of a firm and its level of Human Resource Accounting Disclosure. According to researcher this is obvious as return on assets (ROA) indicates a company's overall profitability. This will motivate a company to provide relevant information to investors and stakeholders regarding investment in human capital which is not reflected on the balance sheet.

3. Objectives of study

The main objectives of the study are as follows:

- To study Human Resource Accounting practices followed by Hindustan Petroleum Corporation limited
- To study employees strength and their valuation for the particular period
- To study the relationship between net profit and human resource value
- To study the relationship between human resource cost

and human resource value

- To study share of human assets in total assets

4. Company profile

Hindustan Petroleum Corporation Limited is a Government of India enterprise with its headquarters at Mumbai and Maharashtra. It had originally been incorporated as a company under Indian Companies Act 1913. It is a mega public sector undertaking with Navratna status, and a Forbes 2000 and Global Fortune 500 company. It is listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE), India.

HPCL owns and operates two major refineries producing a wide range of petroleum fuels and specialties, one in Mumbai and the other is in Vishakhapatnam. HPCL also owns and operates the largest Lube Refinery in the country producing Lube base oils of international standards, with a capacity of 428 TMT which accounts for over 40% of the India's total Lube Base Oil production.

HPCL has the second largest share of product pipelines in India with a pipeline network of more than 2,500 kilometers for transportation of petroleum products.

5. Human Resource Accounting Practices in Hindustan Petroleum Corporation Limited (HPCL):

HPCL recognizes the value of its human assets who are committed to achieve excellence in all spheres. HPCL has introduced Human Resource Accounting in the 1981-82. The company uses Lev & Schwartz model for the purpose of computation of value of human resources. It divides all the employees into two groups, viz. management employees and non-management employees. It also discloses age wise distribution of the employees which include 21-30, 31-40, 41-50, 50 and above. The title used to disclose information of human resource valuation in HPCL is 'Human Resource Accounting'. The company does not follow constant rate for discounting future earning, it varies from year to year. They evaluate their human resource on the basis of following assumption:

Employees' compensation represented by direct and indirect benefits earned by them on cost to company basis

Earnings up to the age of superannuation are considered on incremental basis taking the Corporation's policies into consideration

Such future earning are discounted at different rates for each year

6. Research Methodology

6.1 Research problem:

The research problem of the study is:

"HUMAN RESOURCE ACCOUNTING PRACTICES IN HINDUSTAN PETROLEUM CORPORATION LIMITED"

6.2 Period of study:

The period of study is confined from 2008-09 to 2014-15 as no data is available before this period, of the selected company.

6.3 Sampling Technique:

Convenient sampling technique is used in this study.

6.4 Methods of data collection:

Present study is mainly based on secondary data which were collected from annual report of the company, related websites, different books of account and previous research papers.

6.5 Data analysis:

To make the data easily understandable, statistical method of tabulation is used. Statistical technique of correlation is also used for the analysis and interpretation of data. Calculation is done with the help of computers specifically MS Excel.

6.6 Limitations of the study

The following are the limitations of the study.

1. Only one company is considered for the study of Human Resource Accounting Practices.
2. The study period of said study is limited to seven years only i.e. from 2008-09 to 2014-15.
3. The said study is based on secondary data only, collected from annual reports of companies. The limitations of the secondary data influence the study.
4. Analysis and conclusion are human interpretation and perceptions, so they may be biased.

Over and above there are certain limitations of Human Resource Accounting which also affects the study.

7. Analysis and interpretation:

7.1 Value addition in HR:

Following table has been drawn to know human resource value addition over previous year, the growth of HRV in terms of percentage and value of HR per employee. Following formulas are used to find various values:

-Value addition over the previous year: $\text{HRV of current year} - \text{HRV of previous year}$

-Value addition in percentage: $\text{value addition over the previous year} / \text{HRV of previous year} * 100$

-Value of HR per employee: $\text{HRV} / \text{No. of employee}$

Table1 Growth of HRV and HRV per employee

Financial year	HR value Rs. / Crores	Value addition over the previous year	Value addition in percentage	No. of employees	Value of HR per employee Rs. / Crores
2008-09	13147	-	-	11246	1.16903788
2009-10	15654	2507	19.069	11291	1.386413958
2010-11	18493	2839	18.1359	11248	1.644114509
2011-12	21412	2919	15.7844	11226	1.907357919
2012-13	25287	385	1.79806	11007	2.297356228
2013-14	20846	-4441	-17.5624	10858	1.919874747
2014-15	25688	4842	23.2275	10634	2.415647922

Source: Annual reports of company from 2008-09 to 2014-15

The table shows increasing trend in HRV and no of employees except in the year 201-14. We can say that HRV is increasing from the year 2008-09 to 2012-13, it was decreased in 2013-14 and again increased in 2014-15. Highest value addition in percentage is in the year 2014-15 e.i. 23.23 % and in the year 2013-14 value of HR is decreased up to 17.56 %. Value of HR per employee is also increasing from the year 2008-09 to 2012-13, decreased in 2013-14, and again increased in the year 2014-15. The reasons for value addition in HRV may be effective recruitment, proper training and better employer employee's relationship. In the year 2013-14 HRV is decreased. Here the reasons may be decreased no of employees, ineffective recruitment and ineffective training.

In short, we can say that there is positive relationship between number of employees and human resource value of the company. The increase or decrease in number of employees leads to increment or decrement in HRV of the company.

7.2 Human resource cost, human resource value and net human resource value:

The following table is drawn to know human resource cost, percentage of human resource cost in human resource value and net human resource value. All kind of assets yield some income to the company. Human resource is the most important assets of the organization. An organization also needs to incur some cost on recruitment, development and retention of employees. It is important for an organization to know what cost it has incurred for the human assets over the period of time and what is the change in value of human assets. Following formulas are used to find various values:

- Percentage of HRC in HRV: $HRC/HRV*100$
- Net HRV: $HRV-HRC$

Table 2 Percentage of HRC in HRV and net HRV

Financial year	HR value Rs./ Crores	Employees cost Rs./ Crores	Percentage of HRC in HRV	Net HRV
2008-09	13147	1137	8.64836084	12010
2009-10	15654	1617	10.3296282	14037
2010-11	18493	2017	10.9068296	16476
2011-12	21412	1583	7.39305063	19829
2012-13	25287	2526	9.98932258	22761
2013-14	20846	2030	9.73807925	18816
2014-15	25688	2415	9.40127686	23273

Source: Annual reports of company from 2008-09 to 2014-15

Correlation coefficient between human resource value and employees cost = 0.883.

Thus there is highly positive relation between human resource value and employees cost.

From the above table, we can see that Human resource cost increased in first three years and then it was fluctuating. Human resource cost is minimum 7.4 and maximum 10.9 in percentage which is very much significant. Percentage of employees cost in HRV and net HRV shows efficient use of Human resource.

7.3 Share of HRV in total assets and relation between net profit and HRV:

The assets of an organization comprises of fixed assets, variable assets and intangible assets including human assets. Human resource is an important asset of an organization. It is important for a decision maker to know share of human asset in total assets and relation between net profit and HRV. Following formula is used to find various values:

- Human assets percentage in total assets: $HRV/Total\ assets*100$

Table 3 percentage of human assets in total assets, relation between human assets and net profit

Financial year	HR value Rs. / Crores	Total assets including human assets	Net profit before tax Rs. / Crores	Human assets- percentage to total assets
2008-09	13147	43235	712	30.408234
2009-10	15654	46879	2125	33.392351
2010-11	18493	55457	2346	33.346557
2011-12	21412	63311	1219	33.820347
2012-13	25287	74918	361	33.752903
2013-14	20846	73299	2674	28.439679
2014-15	25688	66722	4150	38.500045

Source: Annual reports of company from 2008-09 to 2014-15

Correlation coefficient between Net profit and HRV= 0.297

Correlation coefficient between Total assets and HRV= 0.893

Thus, we can say that there is highly positive relation between total assets and human resource value where as there is lack of relation between net profit and human resource value.

From the above table we can see that share of human asset in total assets varies from 28.44 to 38.50. From this we can say that share of human asset in total assets is very much significant. In the year 2013-14, HRV and human assets percentage to total assets is minimum. Inefficient management, ineffective training or ineffective recruitment may be some of the reasons for this.

8. Conclusion:

Human resource is the most important input in any organization. The investment directed to raise knowledge; skills and aptitude of the employees of the organizations are the investment in human resource. Thus it is important for the decision makers to examine how efficiently human resource of an organization is utilized. And thus it is worthwhile to do human resource accounting practices in corporate sectors in India.

The study reveals that Hindustan Petroleum Corporation limited discloses information regarding human resource accounting up to a great extent. There is direct relationship between HRV and employees cost, and also in HRV and total assets. But there is no relationship between net profit and HRV of the company. Proper recruitment, effective training and development, better employer employee's relationship can lead to greater human resource value which ultimately results in organization's growth and success.

REFERENCE

1. Dinesh Gupta, "Probable problems areas confronting Human Resource Accounting: A survey", Contemporary issues in Accounting, Human Resource Accounting, Pointer Publishers.
2. Upasna Joshi and ReetaMahei (Feb 2012) " Human Resource Accounting System in Selected Indian Companies" Journal of Social and Development Sciences Vol. 3, No. 2, pp. 69-76, (ISSN 2221-1152)
3. H. K. Singh and Vive Singh, "Human Resource Accounting Practices in Infosys Technologies Limited- An Evaluation", SMS Varanasi, Vol V, No 1, June 2009.
4. Syed Abdulla Al Mamun, " Human Resource Accounting (HRA) disclosure of Bangladeshi companies and its association with corporate characteristics, BRAC University Journal, Vol. VI, no. 1, 2009, pp. 35-43.
5. Nidhi Sharma and Hitendra Shukla, " Firms' Financial Performance and Human Resource Accounting Disclosure in Indian Public Sector Companies", Tenth AIMS International Conference on Management, January 6-9, 2013.
6. Dr. Hamid Saremi & Nader Naghshbandi, " Impact of Human Resource Accounting information on Human Resource investment in Iranian Enterprises", Lachoo Management Journal, Volume 2, Number 1, January- June 2011.
7. A. Shankaraiah, R. Sudarshan, M. Subrahmanya Sarma, "Human Resource Accounting in Public Sector : An Appraisal", Contemporary issues in Accounting, Human Resource Accounting, Pointer Publishers.
8. Mamta Ratti, " Analytical Study of Human Resource Accounting Practices- an Indian experience", Intergral Review- A Journal of Management, e-ISSN : 2278-6120, p-ISSN : 0974-8032, Volume 5, No. 2, Dec. -2012, pp 37-45.
9. Dr. Asha Sharma, "Impact of Human Resource Accounting on Organizational Performance", IOSR Journal of Business and Management, ISSN- 2278-487X. Volume 5, Issue 1, (Sep-Oct. 2012), pp 25-31.
10. Dr. P. Natarajan & Bashir Nawaz, "Human Resource Accounting in IT industry (A study with reference to INFOSYS Technologies Limited)", International Journal of Management, IT and Engineering, ISSN – 2249-0558, Volume 2, Issue 1, January 2012, pp 108-122.
11. Dr. Nidhi Sharma and Hitendra Shukla, " An evaluation of Human Resource Accounting Disclosure Practices in Indian Companies", Indian Journal of Applied Research, , ISSN- 2249-555X, Volume-1, Issue 10, July 2012.
12. R. B. Sharma & Asha Sharma, "Practicing of Human Resources Accounting in Infosys Limited", European Journal of Commerce and Management Research, Volume -2, Issue-3. March 2013, pp 57-63.
13. Hindustan Petroleum Corporation Limited – Annual Reports from 2007-08 to 2012-13
14. www.hindustanpetroleum.com