Human Resource Accounting Disclosure Practices in Selected Indian Public Enterprises – An Empirical Analysis

Accounting

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ABSTRACT

In the modern knowledge based society Human is the buzzword. Human asset are the real asset of the enterprise. The other physical assets will not be effective without Human Resource. It is the Human knowledge and their sincere efforts that lead the enterprise towards success.

Among the 4M's money, machines, materials and men, associated with any enterprise, Men is the most important M. But the most interesting thing is that the first three are recognized and find a place in the assets side of the Balance sheet of the organization.

Human resource accounting is one of the latest concepts adopted by Indian enterprises in recent times. Most of the enterpriser which follow HRA spare separate section in their annual reports for a detailed account of their human resource.

This paper attempts to highlight the disclosure pattern of Human Resource Accounting Variables by selected public enterprises in India.

Introduction: In the modern knowledge based society Human is the buzzword. Human asset are the real asset of the enterprise. The other physical assets will not be effective without Human Resource. It is the Human knowledge and their sincere efforts that lead the enterprise towards success.

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The concept of HRA was first promulgated by BHEL (Bharat Heavy Electrical Ltd), a leading public enterprise, during the financial year 1972-73. Later it was also adopted by other leading public and private sector organization in the subsequent years. Some of them are (SAIL), (ONGC), (HPCL), (CCI), (KRL), (MMTC), (NTPC), (EIL), (OIL), (HSL), (HZL), (CRL), (MRL),(ACC) and INFOSYS.

Infosys technology was the first software company to value HR in India, followed by many other leading software companies. Now a day's many other public and private sector enterprises are reporting HRA information in their financial statements.

The importance and value of human assets was recognized in the early 1990's when there was a major increase in employment in firms in service, technology and other knowledge based sectors. Among these sectors, the intangible assets, especially human resources, contributed siginificantly to the building of shareholder value. The critical success factor for any knowledge based company was its highly skilled and intellectual workforce. Therefore the human asset should be added in the balance sheet in the asset side.

Statement of the Problem: In the past very few studies have been made in relation to the valuation and disclosure practices of HRA in public enterprises in India. Therefore, the present study is made to attempt and analyze the valuation and disclosure of Human Resource Accounting variables in selected public enterprises in India.

Review of Literature:
Dr. Prabhakar Rao(1986), had made a pioneering effort in his book to design and implement HRA in the Indian context. Author had discussed the overall working of HRA system and the theoretical design of HRA system applied in Hindustan Shipyard Limited.

Dr. C K. Sonara(1999), had focused on Human Resource Reporting practices and problems in India. He has analysed reporting in BHEL. The researcher put emphasis on HRA reporting which will infuse confidence in people, boost their moral and help management in fulfilling their social responsibility.

Eric G. Flamholtz, Maria L. Bullen, Wei Hua (2002), attempted to provide an overview and history of human resource accounting with the objective of promoting both continued academic research and organizational applications. The research paper highlights on the historical perspective and future implications of Human Resource Accounting.

R.K. Patra (2005), in his book Human Resource Accounting in Public Enterprises – A Case Study, reflected on different Human Resource Accounting Models already in action in different enterprises with a special reference to public sector in India. The study is by and large, an empirical investigation of a micro nature and is not a sample study.

Dr. Yagnesh M. Dalvadi(2010) attempted to shed light on Human Resource Accounting Practices in selected companies in India with one sample 't' test and said that there is significant difference between the average disclosure of selected companies.

Dr. Nidhi Sharma and Hitendra Shukla(2012) attempted an evaluation of Human Resource Accounting disclosure practices in Indian companies has applied one sample test and concluded that the level of disclosure of HRA is not high.s

Objectives of the Study:
1. To study the practices followed by selected public enterprises in India for disclosure of Human Resource Accounting.
2. To make comparison between the variables disclosed by selected public enterprises in India.
3. To suggest improvement in HRA disclosure in selected public enterprises in India.

Period of the Study: The period of the study is selected eight consecutive years which are from the financial year from 2001-02 to 2008-09. The study is mainly based on published annual reports of selected public enterprises in India.

Research Methodology: The study is mainly based on the secondary data's. The secondary data are extracted from the sources like annual reports, different books of management accounting, journals, research papers and website of Public enterprises in India.

Sampling Technique: Purposive sampling technique is used for selection of sample units. Samples are taken from public en-

terprises in India. Five public enterprises were taken up for the study. Out of which only three public enterprises were following Human resource accounting and hence other public enterprises are not taken for the analysis.

Table – 1.1
Total Number of Enterprises
HRA Practices in India up to March 2009

Total Number of Public Enterprises in India up to March 2009	Total Number of Public Enterprises following HRA Before Study	Total Number of Public Enterprises following HRA at Present
246	23	5

Source: Annual Reports of Public Enterprises up to March 2009
www.dpe.nic.in

Table 1.1 clearly indicates that among 246 public enterprises in India up to March 2009, only 23 public enterprises were following HRA practices before and from that at present only 5 public enterprises ONGC, HPCL, CCI, KRL & OIL, were found practicing and disclosing HRA information.

To prove the usefulness of HRA and to find answers to certain vital questions relating to valuation, reporting and disclosure of Human Resources following variables have been identified and analyzed.

1. Valuation Model Used
2. Discount Rate Applied
3. Age Wise Distribution of Employees
4. Cataloguing of Employees
5. Total Number of Employees
6. Group Wise HRV
7. Total HRV
8. HRV per Employee
9. HRV to Total Resources
10. HRV to Fixed Assets
11. Value Added to Fixed Assets
12. Value Added to HRV
13. Value Added to Total Resources
14. HRV to Value Added
15. Turnover to Total Resources
16. Turnover to HRV
17. Manpower Cost to HRV
18. Return on HRV

Table – 1.2
Variables Considered by Selected Indian Public Enterprises Practicing HRA In Past

Sr. No.	Name of Public Enterprise	Score Point Out of 18 Variables
1	BHEL	16
2	SAIL	7
3	NTPC	10
4	HSL	5
5	MMTC	15
6	MECON	10
7	PEC	5
8	IDPL	5
9	EIL	7
10	ELIL	6
11	HZL	6
12	IOC	3
13	CIL	3
14	ECL	3
15	MRL	8
16	SPIC	7
17	STC	7
18	HMTL	6
19	ONGC	9
20	HPCL	10
21	KRL	10
22	CCI	7
23	OIL	7

Source: Past Annual Reports of Public Enterprises

Table - 1.2 discloses number of variables considered by various public enterprises in India in past. Among 23 public enterprises under the study BHEL provided leadership in providing the maximum information under the head HR accounting that is 16 variables and IOC, CIL and ECL had reported least 3 variables.

Table – 1.3
Variables Considered by Selected Indian Public Enterprises Practicing HRA up to March 2009

Sr. No.	Name of Public Enterprise	Score Point Out of 18 Variables
1	ONGC	9
2	HPCL	10
3	CCI	7
4	KRL	2
5	OIL	4

Source: Annual Reports of Public Enterprises up to March 2009

Table - 1.3 indicates that among five public enterprises under the study HPCL provided leadership in disclosing maximum number of 10 variables, ONGC with 9 variables, CCI with 7 variables, OIL with 4 variables and KRL with 2 variables under the head HR Accounting.

Table - 1.2 indicates that in the past Out of eighteen variables, HPCL and KRL had reported 10 variables, ONGC with 9 variables and CCI and OIL stood third with reporting 7 variables.

The present study reflects the picture of Indian public enterprises following no common practice in cataloguing of employees and also reflects the uncommon practice followed by the Indian public enterprises in making and disclosing the employee group wise.

The variables which can help the users derive logical conclusions regarding the quality and the uses of human resources have attracted too little attention. Thus, the Indian corporate sector has still a long way to go in the field.

Therefore, the above analysis makes it clear that even after following the common methods or model for valuation of human resources, Indian public enterprises do not follow a uniform policy regarding reporting of HRA. The information about human resource value and accounting is largely unregulated.

Limitations of the Study
1. The study is limited to only five public enterprises in India.
2. The present study is limited for a specified period of eight years from 2001-02 to 2008-09.
3. This study is mainly based on secondary data from published annual reports, websites and literature. The limitations of secondary data influence the study.
4. The differences in number of voluntarily disclosed variables made it difficult to interpret the information in proper context by its users for decision making.

Suggestions
1. This study suggests that the seriousness in disclosing more information regarding human resource accounting variables is needed in public enterprises in India.

2. Initiation should be taken by professional bodies to formulate specific guidelines for voluntarily disclosed variables by the public enterprises in India.

3. Human Resource Accounting and Reporting must be made mandatory by companies act and this information must be audited.

Conclusion: It is found that no uniformity is followed by Indian public enterprises in disclosure practices, discount rate, division of employees and valuation models.

None of the public enterprises has provided the information regarding human resources as a part of regular financial statements.

Out of 23 public enterprises, 20 public enterprises have discontinued the HRA reporting practice. At present only 3 public enterprises ONGC, HPCL & CCI are valuing and reporting HRA.

In India HRA is not seriously considered and reported. Lack of standardized reporting practices makes comparison difficult and diminishes the relevance. From the above discussion it is clear that in India the seriousness in valuation and reporting of human resources is yet to be well developed.

REFERENCE

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