

## USERS' PERCEPTION OF HUMAN RESOURCE DISCLOSURE IN INDIA

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### Abstract:

*The purpose here in this study is not only to generate statistics but also to obtain insight from the executives, professionals and academicians on the valuation and disclosure practices of human resources.*

*The basic purpose of this empirical analysis is to have a collective opinion from the senior and experienced professionals and executives responsible for decision making related to the personnel, human resources, accounting, finance and related areas.*

*The opinions received from the respondents have been examined in a survey type of method. The empirical analysis has been carried out with the help of the categorical and qualitative opinion collected by circulating the questionnaire.*

*This study finds out that the majority of the respondents are aware of the term HRA, but surprisingly not many know as to how it practiced. In addition, there is a need to find out the ways to increase the knowledge of HRA in India.*

### KEYWORDS:

Human Resource Accounting, Human Asset, Intangible, Organization

### INTRODUCTION

The talent, competence, ideas, energies of employees, productivity and performance of the organization are collectively identified as human resource of an organization. In late 1950s, a number of researchers and behavioral scientist were started arguing in favour of considering the employees as vital resources of the business in the name of human resources. All such ideas can be summarized by the statement made by Kenneth Stiles, Vice- President, General Dynamics Corporation, which very well represents the views of employers, managers and behavioral scientists. Therefore, at this stage it is more appropriate to quote his statement which substantiates this view: "By resources, I am thinking not just in terms of equipment and materials but also of our most valuable assets, the skill, talents, intelligence, abilities and brain power of our people". (Gowda, 1998).

There is an increasing recognition of the fact that the core economic resources of the contemporary era are human resources rather than physical resources such as plants, equipments and inventories, etc. The key to any organization's success in the market is progressively its stocks of human capital (Flamholtz et al., 2002, 2004).

Success of company undertakings completely depends upon the quality of human resources. Human element is the most momentous input in each organization. In mission statements, annual reports and annual general meetings, organizations declare that "our greatest assets are our people" (Okpala & Chidi, 2010).

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**METHODOLOGY**

The target of this survey was to have qualitative data from respondents dealing in spans related to human resources and accounting, as to have their sights about the practicability of Human Resource Accounting (HRA). Therefore, questionnaire was developed in such a style that helps to get the answers of the inquiries like:

- i. Introduction of respondents
- ii. Are they familiar with the accounting expressions and practices?
- iii. Are they familiar with the expressions and practices of HRA?

The questionnaire was framed by following the Likert Method of summated rating. For analysis purpose, this study is divided into three parts as under:

- i. Respondents' profile
- ii. Proficiency of Human Resource Accounting
- iii. Can employees of an organization be considered as an asset?

A simple and less time consuming a close ended questionnaire was constructed. Respondents were requested to indicate their degree of agreement and disagreement with a series of questions and they had to give rank or preferences in the nature of:

|                |       |         |          |                   |
|----------------|-------|---------|----------|-------------------|
| 1              | 2     | 3       | 4        | 5                 |
| Strongly agree | Agree | Neutral | Disagree | Strongly disagree |

For some questions the preferences were asked by:

|        |            |              |        |       |
|--------|------------|--------------|--------|-------|
| 1      | 2          | 3            | 4      | 5     |
| Always | Frequently | Occasionally | Rarely | Never |

In all, three hundred questionnaires were circulated to the executives, professionals, and academicians etc. to circulate questionnaires, wherever it was possible, personal approach was made to the respondents. In some cases questionnaires were also sent to the respondents by post as well as E-mail. In response, hundred and nine questionnaires were received back from the respondents. The answers made by the respondents for each question as well as sub question were quantified in categories and then computed in table form to illustrate the responses.

The responses were analyzed in percentage of the total 109 responses. For the further analyses, the five categories were rearranged into three categories by merging the two outside (extreme) categories: "strongly agree" and "agree" into agree and "disagree" and "strongly disagree" into disagree. The respondents who had not given any response for some questions, such non responses were coupled with the neutral category by assuming the neutrality of respondents.

**RESPONDENTS' PROFILE**

These questionnaires were circulated to the respondents from the wide range of different age groups. Qualifications, experience etc.

**AGE GROUPS**

All the respondents were divided in four age groups as specified in the table below:

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**Table 1**  
Age wise distribution of respondents  
(In percentage)

| Age groups in years |       |       |           |
|---------------------|-------|-------|-----------|
| 25-35               | 36-45 | 46-55 | 56& above |
| 24.77               | 24.77 | 22.94 | 27.52     |

**EDUCATIONAL QUALIFICATION**

As a multidisciplinary activity, human resource accounting deals with the issues related to human resources and accounting. Therefore, questionnaires were circulated to the people of both these disciplines. Thus, to have the cross sectional views from the people having knowledge and practical experience in the field of human resource management, personnel management, accounting and finance were selected.

**Table 2**  
Education- wise distribution of respondents  
(In percentage)

| Postgraduate degree in |      |                     |      |
|------------------------|------|---------------------|------|
| Commerce               | Arts | Science/engineering | Law  |
| 16.51                  | 8.26 | 8.26                | 1.83 |

**Table 3**  
Qualification-wise distribution of respondents  
(In percentage)

| Professional qualification |         |            |       |       |       |      |       |
|----------------------------|---------|------------|-------|-------|-------|------|-------|
| MSW                        | HRM     |            | MBA   | PGDBM | CA    | CS   | ICWA  |
|                            | Diploma | PG Diploma |       |       |       |      |       |
| 9.27                       | 4.59    | 7.34       | 30.28 | 4.59  | 12.84 | 4.59 | 14.68 |

**TYPES OF ORGANIZATION**

The respondents are well distributed in terms of their professional blongings.32.11 per cents of the total number of respondents are involved in professional services, whereas 36.70 per cent of the respondents belong to the production units. There is a significant representation of the academicians (14.68 per cent) in the sample. This cross- sectional representation of the respondents is a very healthy sign as it reflects a right mix of knowledge of theories as well as practical expertise.

**Table 4**  
Types of organization wise distribution of respondents  
(In percentage)

| Types of organization |                 |                      |               |
|-----------------------|-----------------|----------------------|---------------|
| Professional services | Production unit | Academic institution | Not responded |
| 32.11                 | 36.70           | 14.68                | 16.51         |

**WORK EXPERIENCE**

The respondents have further been divided as per their nature of work and the work experience of respondents in each of these jobs as per the classification given in table 5.

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**Table 5**  
**Experience-wise distribution of respondents**  
**(In percentage)**

| Number of years   | Academicians | Owners/directors | Accountants/auditors/taxation | Manager | Others | total |
|-------------------|--------------|------------------|-------------------------------|---------|--------|-------|
| Less than 5 Yrs.  | 1.83         | 1.83             | 1.83                          | 13.76   | 7.34   | 26.61 |
| 5 to 10 Yrs.      | 3.67         | 0.00             | 5.50                          | 1.83    | 7.34   | 24.77 |
| More than 10 Yrs. | 22.94        | 9.17             | 5.50                          | 11.01   | 11.93  | 54.12 |

**KNOWLEDGE OF ACCOUNTING TERMS**

Are respondents having basic knowledge of accounting discipline? To have answer to this question, specific question was asked to the respondents. Do you know accounting terms like capital, asset and liability etc? Answer of this question explains the validity of respondents to response in the area to accounts.

**Table 6**  
**Knowledge of accounting terms**  
**(In percentage)**

| Do you know accounting terms like capital, asset, liability, etc? |      |               |
|---|------|---------------|
| Yes   | No   | Not responded |
| 96.83   | 2.26 | 0.92          |

Almost all the respondents (96.83%) have the basic knowledge of accounting terms like capital, assets and liabilities.

**KNOWLEDGE OF FINANCIAL STATEMENTS**

As the respondents were from different disciplines further questions were asked to verify whether they have some knowledge about financial statements or not. Whether they know the uses of financial statement or not? The results are presented in the following table 7.

The result suggests that 59.80 % of the respondents have prepared a financial statement. 70.15 % of the respondents can read it well for academic purposes, whereas 61.97 % of the respondents use the financial statements for decision making. A very high percentage of respondents (90.66) have a priori knowledge of intangible assets.

**Table 7**  
**Knowledge of financial statements**  
**(In percentage)**

|                                      | Do you know financial statements? If yes, |       |               |
|--------------------------------------|---|-------|---------------|
|                                      | Yes                                       | No    | Not responded |
| Have you ever prepared?              | 59.80                                     | 30.94 | 9.26          |
| Do you read it for academic purpose? | 70.15                                     | 14.84 | 15.01         |
| Do you read it to take decisions?    | 61.97                                     | 19.43 | 18.60         |
| Do you know about intangible assets? | 90.66                                     | 8.42  | 0.92          |

**KNOWLEDGE OF INTANGIBLE ASSETS**

With the availability of basic knowledge of accounting, respondents were asked further questions to evaluate the opinion and knowledge of variety of intangible assets including human resources.

**Table 8**  
**Ranking of intangible assets**  
**(In percentage)**

| <b>Which intangible asset is more valuable?</b> |                         |             |
|---|-------------------------|-------------|
|   | <b>% of respondents</b> | <b>Rank</b> |
| <b>Brand</b>                                    | 29.65                   | II          |
| <b>Intellectual property</b>                    | 32.11                   | III         |
| <b>Human Resource</b>                           | 26.41                   | I           |
| <b>Patents/ Goodwill and other assets</b>       | 12.10                   | IV          |

Respondents were requested to give rank of the intangible assets listed in the questionnaire. Here, for the first rank, majority of the respondents (33.78) preferred human resources and for second rank brand (29.65) and for third rank intellectual property (26.41) was preferred by the respondents. The remarkable point to be noted here is that the majority of respondents gave forth rank to the good will and patents.

After collecting their views on importance of particular intangible assets, further question was raised to check on what they believed about the usefulness of the valuation of intangible assets.

**Table 9**  
**Significance of intangible asset valuation**

| <b>Valuation of intangible helps in:</b>    |                         |             |
|---|-------------------------|-------------|
|   | <b>% of respondents</b> | <b>Rank</b> |
| <b>Management control</b>                   | 21.61                   | II          |
| <b>Valuation of organization</b>            | 36.20                   | I           |
| <b>Financial decision making</b>            | 18.10                   | III         |
| <b>Other than financial decision making</b> | 24.11                   | IV          |

In response to the usefulness of valuation of intangible, respondents gave highest weight age to organizational valuation followed by managerial decision making. For third and forth ranks, respondents identified use for financial decision making and other than financial decision making respectively.

**KNOWLEDGE OF HUMAN RESOURCE ACCOUNTING**

For further analysis, it was felt to have some idea about the knowledge or awareness of respondents about the human resource accounting. This was felt due to two specific reasons mentioned as under:

- i.HRA is a newly born idea
- ii.HRA is still in infancy and is not practiced much

Therefore, specific questions were asked to find out the respondents' awareness about the HRA.

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**Table 10**  
**Knowledge of HRA**  
**(In percentage)**

| <b>Do you know about Human Resource Accounting?</b> |       |
|---|-------|
| yes   | No    |
| 80.86   | 19.14 |

At this juncture it would be interesting to find out about how the respondents have come to know about HRA i.e. what their source of knowledge on HRA is?

**Table 11**  
**Source of knowledge of HRA**  
**(In percentage)**

| <b>Do You Know About Human Resource Accounting? If Yes,</b>  |       |       |
|--|-------|-------|
|  | YES   | NO    |
| <b>Have you read an article on it?</b>                       | 80.90 | 19.10 |
| <b>Have you attended seminar/ conference/ lectures?</b>      | 36.20 | 63.80 |
| <b>You know about the different valuation models for HR?</b> | 22.30 | 77.70 |

The result shows that majority (80.90) of the respondents are acquainted with HRA by reading the published articles. A small number (36.20) of respondents has attended the seminars, conferences or lectures on HRA. And 77.70 per cent of the respondents were found to be having no knowledge of HRA valuation models at all.

Further question was asked to the respondents about the knowledge of the published data on HRA.

**Table 12**  
**Access to HRA disclosure**  
**(In percentage)**

| <b>Have you read any published data on Human Resource Accounting?</b> |       |
|---|-------|
| Yes   | No    |
| 40.10   | 59.90 |

In response to this question, it was found that only 40.10 per cent of the respondents came across the published data on HRA. This is the evident that the practice, general acceptance as well as awareness of HRA is at very diminutive level in the practical life and decision making in India.

**CAN EMPLOYEES OF AN ORGANIZATION BE CONSIDERED AS AN ASSET?**

With the emergence of service and knowledge base economy, it was unanimously accepted by the people that in the new economy the prosperity of an organization is significantly influenced by its employees. This shifted the views from considering employees as an expense or responsibility to an important resource. In the last fifty years, the brain power has established the importance over other intangible and physical assets. The idea of HRA emerged with the establishment of importance of human resources.

In questionnaire a specific question was raised to the respondents in the direction of: Can human resources be considered as an asset? This was done with the aim of collecting views of mix group of people from all the disciplines related to HRA. The responses are summarized below in table 13.

**Table 13**  
**Consideration of Human Resources as an asset**

| Do you agree that Human Resources are the most important assets for business? |            |              |        |       |
|---|------------|--------------|--------|-------|
| Frequency distribution (in percentage)  |            |              |        |       |
| Mean value  | Always     | Occasionally | Never  |       |
| 1.44  | 88.07      | 6.42         | 5.50   |       |
| 1   | 2          | 3            | 4      | 5     |
| Always  | Frequently | Occasionally | Rarely | Never |

The above table makes it clear that 88.07 percent of the respondents were of the opinion of considering the human resources as an asset. The same results were found in the calculation of mean value. The mean value of responses given by all respondents is at 1.44, which indicates that the respondents always agree that HR is the most important asset for business.

The debate of considering human resources as an asset was further moved by the professionals in the direction that human resources cannot be considered as an asset similar to the other physical assets. Therefore, here also, a question was asked in the direction to find out, which is in debate from long back. Can human resources be considered as an asset by the employer organization like other physical assets such as land, building, machine, furniture etc.? To find out the answer of this question, opinion and views of respondents were collected by the specific question:

i. Do you agree that investments in human resources are similar to other assets?

**Table 14**  
**Investment in HUMAN resource assets Vis -?- vis other assets**

| Do you agree that investments in human resources are similar to other assets? |            |              |        |       |
|---|------------|--------------|--------|-------|
| Frequency distribution (in percentage)  |            |              |        |       |
| Mean value  | Always     | Occasionally | Never  |       |
| 1.87  | 76.15      | 5.50         | 18.35  |       |
| 1   | 2          | 3            | 4      | 5     |
| Always  | Frequently | Occasionally | Rarely | never |

The 76.15 percent of the respondents were of the opinion that yes, human resources can be considered as an asset similar to the other assets. The mean value of the responses calculated at 1.78 also reflects the same results between always and frequently.

## CONCLUSION

The above discussion indicates the quality of respondent profile, their knowledge and practice of HRA. The results of the analysis provide information about the state of HRA practices in India. It also suggests the number of steps required to be taken to improve and introduce more useful HRA valuation and reporting practices. The major conclusions made from this survey-based study are: The majority of the respondents are aware of the term HRA, but surprisingly not many know as to how it practiced. In addition, there is a need to find out the ways to increase the knowledge of HRA in India. The regulatory bodies, professional institutions, professionals, researcher and academicians should take serious initiatives in this direction by organizing seminars, conferences, and training programmes in the area of HRA.

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