CHAPTER -6- ANALYSIS AND FINDINGS

Summary

This Chapter of the thesis basically comprises finding of the study divided into two sections i.e., secondary and primary data. The secondary data includes finding from analysis drawn from annual reports of the companies during the study period and the primary data consist of findings related with survey from perception of stakeholder (employees, banks and shareholder) towards disclosure practices of Human Resource Accounting.
6.1. INTRODUCTION

“The human resource may be seen as the most fundamental of all available resources to an economy or an organization. Human resources are energies, skills, talents and knowledge of people that are or can be potentially applied to the production of goods and services. Corporations cannot run by machines or systems alone, however smart those may be. The human element in it is inevitable, even for knowledge based learn organizations of the 21st century. It is an irony that valuation of this important asset is not reflected in the books of accounts. However to enhance goodwill and attract investors, need is being felt for human resource accounting.”

Basically if look at past than found that human resource accounting is old concept it was started since 1960. In mid of 1971 to 76 there was repaid growth in this concept. Therefore, many model was intruded in this period mostly models were based on value base. Lev & Schwartz is the most popular model which was introduced in 1970.

In India, human resource accounting has not been introduce so far in any legislation and consequently ‘ human resource are not yet recognised as ‘assets’ neither in the balance sheet nor in the annual report of either public enterprises or private enterprises in India.

Even in the new companies act 2013, there is no specific provision has been inserted regarding the accounting and reporting requirement of human resource i.e. companies are not required to furnish any significant information about their human capital in annual report. However some Indian companies adopting human resource accounting like ONGC, Infosys, ACC, TATA, and NTPC.

In present scenario the requirement of human resource accounting is quit high by companies for managers to take competitive decisions.

Now let us sum up what we have done in the earlier chapter. For this purpose, findings based on the previous chapters are presented. This chapter divided in to three parts, first part is about methodology adopted to achieve the objectives, Second part is finding from Secondary Data and lastly, third part is about finding from primary data

1 http://www.ifrdn.org/Research%20Papers/S3(2)5.pdf
6.2. SAMPLE UNIT OUTLINE AND METHODOLOGY

Basically Human resource accounting is voluntary in India. Therefore, the present study is divided into two part first part is Analysis of Human Resource Accounting practices in selected companies (ONGC Ltd, NTPC Ltd, BHEL Ltd, HPC Ltd, BPC Ltd, Reliance Industries Limited, Tata consultancy services, Infosys technologies Ltd, Ranbaxy Limited, Hindustan Unilever Limited.) researcher has been prepared check list taken ideas from different past study on human resource accounting. And for, the secondary data researcher has been investigate disclosure practices of HRA from the annual reports of selected companies and compare the disclosure practices in between public sector and Private Sector Companies. The analysis of secondary data has been done on the basic of score of HRADI (human resource accounting disclosure index) of the companies and slop of disclosure items of human resource accounting.

However, the primary data collected from the 300 stakeholder which are divided into 3 category first is employees (management level) second is banks (investors) and last is shareholder which has been considered with the help of well-drafted and pre-tested structured questionnaire/schedules and personal interviews for to find out perception and awareness regarding benefits of Human Resource Accounting. In order to analyse the data collected, the different statistical techniques like weighted average mean, Slop, Chi-Square test, and Reliability test (α value) were applied using software SPSS version 20.0. Various null hypothesis relating to the objectives of the study were also framed and tested.

6.3. FINDINGS FROM SECONDARY DATA

The analysis of secondary data is concerned with investigate disclosure practices of human resource accounting in selected companies and compare disclosure practices of Indian public and private company. Therefore, in brief introduction of Human resource accounting with historical development discussed in chapter 1. “Sir William Petty was the innovator in this direction, the first challenge to value the human beings in monetary terms was made by him in 1691. Petty considered that labour was ‘the father of wealth’ and it must be included in any estimate of national wealth without fail. Further efforts were made by William Far in 1853, Earnest Engle in 1883.
In the 1960s Rensis Likert was the first to research in HR and emphasized the importance of strong pressures on the HR's qualitative variables and on its benefits in the long-run. According to Likert's model, human variables can be divided into three categories:

I. causal variables;
II. intervening variables; and
III. End-result variables.

The interaction between the causal and intervening variables affects the end-result variables by way of job satisfaction, costs, productivity and earnings.\(^2\) Human resource accounting is not new issue it was developed in 1960. BHEL is first Indian company which was adopted this concept. In chapter 3 various Human resource accounting model and compassion of all model on the basis of their limitation has been discussed. After discussing model of human resource accounting that the “Lev and Schwartz Model and the Hermanson’s Model do not make any serious attempt to identify factors determining the value of human resources. At the same time these models also fail to explain the factors which can improve the value of human resources. Both these models suggested using the future wages and salaries of employees of an organisation as a surrogate of the value of its human resources. Both these models assume that wages and salaries paid to the employees fairly represent the contribution made by them to their organisation. However in actual practice the things might be quiet different; as there are evidences that employees sometimes are not fairly compensated. Therefore the information generated by the above two models cannot help the management in making HRD related decision to a significant extent.”\(^3\) While in chapter 4, researcher has been investigated and analysed disclosure practise of HRA in selected companies and find out correlation between HRA and total assets. The major findings of the study from secondary data are discussed below:

\(^2\) Human Resource Accounting, D. Prabakara Roa. Inter India Publication.
\(^3\) Human resource planning and development, Dr M.C.Garg, New Delhi Publication
6.3.1. Human resource accounting reporting in selected companies

Table no. 6.3.1. Showing finding of HRA reporting of selected companies

<table>
<thead>
<tr>
<th>Companies</th>
<th>Particular of the employees</th>
<th>Disclosure of employee cost:</th>
<th>Disclosure of ratios related to HR</th>
<th>Average</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>BHEL</td>
<td>50</td>
<td>100</td>
<td>38.46</td>
<td>62.82</td>
<td>5</td>
</tr>
<tr>
<td>ONGC</td>
<td>90</td>
<td>100</td>
<td>30.76</td>
<td>73.58</td>
<td>1</td>
</tr>
<tr>
<td>BPCL</td>
<td>70</td>
<td>80</td>
<td>23.07</td>
<td>57.69</td>
<td>9</td>
</tr>
<tr>
<td>HPCL</td>
<td>70</td>
<td>80</td>
<td>61.53</td>
<td>70.51</td>
<td>2</td>
</tr>
<tr>
<td>NTPC</td>
<td>70</td>
<td>100</td>
<td>38.46</td>
<td>69.48</td>
<td>3</td>
</tr>
<tr>
<td>RANBAXY</td>
<td>70</td>
<td>100</td>
<td>7.69</td>
<td>59.23</td>
<td>8</td>
</tr>
<tr>
<td>HUL</td>
<td>80</td>
<td>80</td>
<td>23.07</td>
<td>61.02</td>
<td>7</td>
</tr>
<tr>
<td>INFOSYS</td>
<td>70</td>
<td>100</td>
<td>30.76</td>
<td>66.92</td>
<td>4</td>
</tr>
<tr>
<td>RIL</td>
<td>60</td>
<td>80</td>
<td>0</td>
<td>46.66</td>
<td>10</td>
</tr>
<tr>
<td>TCS</td>
<td>70</td>
<td>100</td>
<td>15.38</td>
<td>61.79</td>
<td>6</td>
</tr>
<tr>
<td>Average</td>
<td>70</td>
<td>92</td>
<td>26.918</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: annual reports

Form the above table no 6.3.1. Some findings are:

- BHEL, ONGC, NTPC, RANBAXY, INFOSYS and TCS companies have been disclosed 100% items which are related to employee cost while BPCL, HPCL, RIL and Hindustan Unilever ltd. has been shown only 80% disclosed items. Average of disclosure of employee cost of selected companies are 92%.

- If look at the performance ratio of employee it has been found that 61.53% items have been disclosed by HPCL which is high score of this category while BHEL and NTPC have been disclosed 38.46% items. Reliance industry ltd has not been any disclosure of performance ratios. Average of Disclosure of ratios related to HR of selected companies are 26.918%.

- ONGC has been disclosed 90% item is particular employee category while BPCL, HPCL, NTPC, Ranbaxy, Infosys and TCS has been 70% items disclosed which are related to particular employee. BHEL has disclosed 50% items. Average of Disclosure of particular employee category of selected companies are 70%.

- Based on the average of disclosure items of human resource accounting reporting ONGC have first rank while HPCL and NTPC has second and third rank respectively. Infosys have fourth rank and RIL have 10th rank.
Lastly, when comparing the disclosure practices of human resource accounting in Indian companies it has been found that Infosys disclosed HRV in intangible assets in annual report but HPCL and ONGC has been disclosed in separate statement. If comparing the overall disclosure practices of human resource accounting performance of public and private sector companies. The public sector companies are performing quit better than private sector companies.

Also with hypothesis test, \( H_0 \) has been accepted that the public insurance companies are performing better than private insurance companies. A statistically significant difference of \( 0.790 \) (95% CI, -0.67272 to 8.59272) is showing the same.

### 6.3.2. Adopting HRA model with discount rate by selected companies

<table>
<thead>
<tr>
<th>Companies</th>
<th>HR model</th>
<th>Discount rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07</td>
<td>2007-08</td>
</tr>
<tr>
<td>BHEL</td>
<td>Not reported</td>
<td>-</td>
</tr>
<tr>
<td>ONGC</td>
<td>Lev &amp; Schwartz</td>
<td>8</td>
</tr>
<tr>
<td>BPCL</td>
<td>Not reported</td>
<td>-</td>
</tr>
<tr>
<td>HPCL</td>
<td>Lev &amp; Schwartz</td>
<td>-</td>
</tr>
<tr>
<td>NTPC</td>
<td>Not reported</td>
<td>-</td>
</tr>
<tr>
<td>RANBAXY</td>
<td>Not reported</td>
<td>-</td>
</tr>
<tr>
<td>HUL</td>
<td>Not reported</td>
<td>-</td>
</tr>
<tr>
<td>INFOSYS</td>
<td>Lev &amp; Schwartz</td>
<td>14.97</td>
</tr>
<tr>
<td>RIL</td>
<td>Not reported</td>
<td>-</td>
</tr>
<tr>
<td>TCS</td>
<td>Not reported</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source: annual reports*

Form the above table no 6.3.2. Some findings are given blow:

- Out of the 10 companies 3 has disclosed HRA model that is ONGC, HPCL, and Infosys. So only 30% companies has adopted HRA model.
- There are three companies has been adopted same model i.e., Lev and Schwartz model.
- ONGC has calculated value of Human resource at 8 and 7% discount rate while HPCL adopted 8 and 8.25% discount rate.
6.3.3. Share of Human resource value in total assets

Table no. 6.3.3. Showing share of human resource value in total assets

<table>
<thead>
<tr>
<th>Companies</th>
<th>Share of HRV in total assets</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07</td>
<td>2007-08</td>
</tr>
<tr>
<td>ONGC</td>
<td>156.85</td>
<td>164.85</td>
</tr>
<tr>
<td>HPCL</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>INFOSYS</td>
<td>57.26</td>
<td>68.40</td>
</tr>
</tbody>
</table>

From the above table no. 6.3.3 some finding are given below:

- ONGC had highest share of human resource value in total assets in 2007-08 that is 164.85 while next three years 2008-09, 2009-10 and 2010-11 has respectively 31.04, 32.55 and 32.82 % share in total assets. Mean of share of human resource value in total assets of ONGC is 83.622%.
- HPCL has been adopted Human resource accounting since 2008-09. In 2008-09 share of human resource accounting in total assets was 28.05%. Average of share of human resource value in total assets is 29.74%.
- Share of human resource value in total assets in Infosys has been fluctuated in all five year. Mean of share HRV in total assets is 64.62%.
- Lastly, when calculated the correlation between Human resource value and total assets than it has been revealed that there is a positive strong relationship between HRV and total assets.
- Also with hypothesis test, Ho3 this has been rejected because HRV and total assets has been highly correlation to each other with statistically Pearson correlation value is .885.

6.4. FINDINGS FROM PRIMARY DATA

The analysis of primary data collected through questionnaires, observations and interviews conducted for Employees, investors and shareholders as discussed in Chapter 5. For the study purpose research only takes those respondents who are
executives, HR managers (employees) and banks (investor) and shareholder of selected companies. Therefore the study sample size is comprises of 300 responses of the respondents. The major findings of the study from primary data are discussed below:

6.4.1. Findings from Survey of respondent profile:

A. Related to shareholders profile
- Most of the respondents are male only 4% are females.
- 56 % respondents whose annual income is above Rs. 2,50,000
- Mostly shareholder (40%) have own business and 36% respondents have managers post and only 6% respondents were worked as a worker in selected companies.
- 39% respondents were post graduate and 18% shareholders were graduate.
- 48% shareholders were invested for medium term while 27% respondents were investing for short terms.

B. Perception of shareholders towards HRA
- 48.88% shareholders are not aware about concept of human resource accounting. While 86.67 % shareholder wants disclosure of information regarding employee value.
- 35 % respondents were preferred information about human resource accounting in separate statement. While 28.34 % respondent prefers all three sources i.e., balance sheet, note, and separate statement.
- 61.77% investors were totally disagreed that HRA disclosure helps them in investment decision. Whereas, a very few percentages (11.66) of investors has been confused about HRA disclosure practice.
- When asked the question to shareholder that what do u want in your company’s annual reports regarding HRA and the financial statements of companies reflect the true and fair view of their assets give the rank 1 and 2.5 respectively
- Lastly, when find out the awareness regarding benefits of HRA among shareholders of selected companies. For this purpose chi-square test has been applied on the various parameters. From the test it is statistically proven that the level of awareness of human resource accounting among the shareholders is not
equally distributed. Thus, it can be said that shareholders are not well aware about human resource accounting concept.

C. Related to investors (banks) profile

- In this part of the study includes the 20 managers of 3 banks i.e. State Bank of India, Punjab National Bank and Bank of Baroda. Out of 20 respondents 8 respondent from SBI and Bank of Baroda while 4 respondents from Punjab national bank. And, 7 respondents are Probationary officer and 6 respondents are General Manger while 7 respondents are managers.

D. Perception of investors towards HRA

- 40% respondent are neutral aware about HRA while 20% respondent give highest rank to human resource accounting system adopted by the company, while considering company for investment.
- 55% respondents are admit that scenario in Indian corporate regarding human resource accounting is okay. However, 25% respondents are agreed that scenario in Indian corporate regarding human resource accounting is not okay.
- 85% respondents want to look HR value as Monetary term in companies’ annual report
- 70% respondents admit that human resource accounting effect on companies’ image while 30% respondent disagreed with that.
- During the interview when the executives have been asked that Where would you like to prefer Human resource accounting, 50% respondents are admit that HR value should be showing in balance sheet while 35% respondents prefer separate statement.
- Lastly, when find out the awareness regarding benefits of HRA among investors of selected companies. For this purpose chi-square test has been applied on various parameters. From the test it is statistically proven that the level of awareness of human resource accounting among the investors is not equally distributed. Thus, it can be said that investors are well aware about human resource accounting.

E. Related to employees profile

- In this part respondents divided into three categories. First part includes 5 Deputy Directors, second involves 10 general managers and third involves 15 executives
of selected companies. And Among all most of the respondents were male as only 7% are female.

F. Perception of top executive and manager towards HRA

- 90% respondents are agree that human resource is the most important assets of the organisation and according to 66.67% respondents human resource accounting provide contribution in enhancing profitability
- 60% respondents say that Human resource accounting helps in taking managerial decision while 33.33% respondent are neutral for this statement.
- 86.67% respondents admit that Human resource accounting help in evaluation of performance of personnel while 13.33% respondents are neutral.
- Lastly, when give the rank to the perception of benefits of HRA than the first rank is about the human resource are working as assets and second rank to the Human resource accounting help in evaluation of performance of personnel.
- Lastly, when measure the awareness regarding benefits of HRA among top executive and manager of selected companies. Again for this purpose chi-square test has been applied on various parameters. From the test it is statistically proven that the level of awareness of human resource accounting among the top executive and manager is not equally distributed. Thus, it can be said that employee are well aware about benefits of human resource accounting

6.5. CONCLUSION

The output of HRA system can be used to take a variety of decisions in the area of human resource management. But the number of organizations that have adopted HRA system in India is quite low as it is not compulsory for the Indian organizations to value human resources. Human Resource accounting also helps the management to determine how far profits are utilised for investment in people. Some expenditure is related to the employee benefits which are capital nature but this expenditure treatead as revenue cost. For example training cost, recruitment cost, selection cost, placement cost, campus interview cost etc.

If talks about disclosure practises of HRA is Indian companies than we can concluded that very few companies are adopted these concept. In which public sector companies are better performance as compare private companies, because of
employee turnover. Value of employee turnover in private companies is more than public companies. Only one private company that is Infosys are adopting HRA concept and adopting Lev & Schwartz model.

On the basis of primary analysis, concluded that awareness of human resource accounting in shareholder is very low. While in employees of the companies have very well awareness about benefits of human resource accounting. They admit that human resource accounting is helpful for investment decision in human resource and maintain the fair value of our employee.