CHAPTER – VI

SUMMARY AND CONCLUSIONS

6.1. Introduction

The prime idea of a business organization is to maximize profits, but now the priorities of the organizations have been changing, with the growth in industrial development. It has been observed that there is a significant interest among other stakeholders like government, public, researchers, suppliers, employees, creditors who are concerned of the performance of an organization than profits. In broader sense from the socio economic point of view, rising interest among the above said parties, the management has to remodel the objectives of an organization and its reporting practices. Business organizations are under pressure from stakeholders to report to them, so they would be able to understand to what extent the company has been successful or to what extent they are able to safeguard their interests. Thus it is essential for the organizations to adopt social accounting practices such as Human Resource Accounting and Value Added Statements to report to the interested parties. One of the foremost contributions that could be made by the organizations, to the society is to improve the standard of living of the society. Therefore, measuring and reporting socio economic objectives of the business through the social accounting techniques like human resource accounting and value added reporting has to be encouraged. It has been emerging as a new reporting mechanism of the organization.

6.2. Importance of Human Resource Accounting and Value Added concepts in India

Human resource accounting and value added are particularly useful for high lighting employees’ oriented approach which will allow more fertile and objective assessment of business enterprises in terms of productivity and profitability. Since the past, in India, there are several changes that had been taking place in the presentation of corporate reporting, in terms of presenting its financial reports.

Human resource accounting and value added are the concepts that come under voluntary disclosures and it is an attempt to assess and connect with the social performance of a business. It is a system by which an organization seeks to place a value as an impact on society by its activities. It is an organized analysis of the effects of the organisation on its
stakeholders, and that are analysed for the accounting statement. It is very efficient in providing tools and guidelines to collect, analyse and monitor financial, social and environment data. Many organizations, today, are providing information on their social performance in order to exhibit to the general public and their shareholders, that they are ethical.

Presentation of ‘Human Resources Value’ & ‘Value Added Statement’ along with the common financial reports has become a common practice. The research indicates that social accounting theories can best be used to motivate the organizations in the publication of both human resources accounting and value added statement. Human Resource Accounting system can be put to make use in taking a variety of managerial decisions. Organizations can actually realize how much they can earn from an individual. Human Resource Accounting reflects the extent to which organization contributes to society’s human capital by investing in its development. It provides a sound and effective basis of human asset control and Helps to know whether the asset is appreciated, depleted or conserved. On the other hand the ‘Value Added Statement’ shows the wealth created and its allocation to the key productive resources and it provides a mode of understanding the responsibility of different stakeholders of an organization in creating and maintaining ‘Value Addition’.

Presentation of Human Resource Valuation and Value Added Statement, as well with the regular financial statements will assist the management of the company in making economic decisions and can be used as a performance indicator. It also is also used to increase the accurate and fair examination of their financial position during a specific period, on the other hand; the value added statement might provide an informative advantage with limited marginal costs because this performance report can be disclosed with figures already recognized in the income statement. In this way, an additional financial performance statement with social motivation would be available for the reader of annual reports, contributing to the vision of a business entity as a cooperative effort of several stakeholders or key (structural) productive resources.

Human resource accounting has been receiving much attention since the past three decades; Indian organizations have started treating their human resource as assets. BHEL (Bharat Heavy Electricals Limited) is the pioneer in the field of human resource accounting, in the year 1974-75 they disclosed human resources accounting by using Lev and Schwartz model, and in the year 1980-81 Engineers India Limited (EIL) have disclosed human resources
accounting information along with their financial reports, after many public and private organizations started reporting their human resource accounting. Many Public sectors like SAIL, MMTC, ONGC, HMTL, ACC, CCI, ITL and private sector organizations like Reliance, TCS Satyam Computers etc., start publishing human resource accounting, because there is a genuine need to arrive at the value of human resource at each organization, which can be used for improving and evaluating not only the performance of human resources but also to assess their influence on the financial performance of the organization. The traditional framework of accounting is in the process of being expanded to include a much broader set of measurement than was thought possible or desirable in the past. Similarly, Value added has been gaining importance in the last fifty years, the role of value added as a gauge of efficiency; it is used as a performance indicator. Value added can be appropriated with the potential use, also used in the business strategy in supporting the corporate decision making process.

Although many organizations in India, recognize the performance of value added and human resource accounting, but is not getting due importance, may be because it is not a statutory obligation on the business organizations, there is no well established standards, there are no concepts, conventions to guide the social accountant in drafting human resource accounts and value added. There is no standard format of the social accounting report, and auditing the social cost becomes an intricate function. Although the intention is to reflect the benefit to the community or the consumers, what is recorded and audited is not the benefit but the cost of the benefit.

6.3. Importance of the present study

A well-developed method is used for construction of this study. The study envisaged with the following main objectives. First, to examine data relating to human resources and calculate human resources of Visakhapatnam Port Trust for the period 2002-2003 to 2011-2012. Secondly, calculate value added performance of Visakhapatnam Port Trust for the period 2002-2003 to 2011-2. And thirdly, the main objective of this study is to establish the relationship between human resource value and value added performance with special reference to Visakhapatnam Port Trust all through the valuation of human resources and preparation of value added statements (generation and application of value added), the
relationship was identified with the help of multiple regressions model.

The study has chosen an organization in the services sector- Visakhapatnam Port Trust - one of the largest harbours in India. It has become one of the leading major ports in India and is playing a vital role in promotion of the country’s foreign trade and economic development. The starting point in the growth of Visakhapatnam Port Trust dates back to 7th October, 1933. From this date onwards the Port steadily developed into a major port of considerable importance. The growth of the port during the last few years could be viewed as a step by step development. Visakhapatnam Port Trust is ideally located almost midway between Kolkata and Chennai (880km from Kolkata and 780 km from Chennai) at a latitude 170 and longitude 830 18’. The Port is natural harbour endowed with deep water basin and has been serving a vast and rich hinterland comprising the states, Andhra Pradesh, Orissa, Maharashtra, Madhya Pradesh and Uttar Pradesh.

Visakhapatnam Port Trust was developed from a small mineral trading post in to large harbour handling bulk cargo, iron ore petroleum oil lubricants and cooking coal and coke as well as container traffic. Visakhapatnam Port Trust has excellent and efficient workforce, and it has a great advantage of being the most inexpensive port as it charges 40% less than the neighbouring ports. It stood as backbone of Indian Railways in terms of freight revenue and is excellently connected. Container traffic from the city is increasing at 35 per cent per year. The city has the country’s deepest container berth with an ability to handle big size vessels. “It can become a most sought after destination if the support facilities are developed. In fact, it has scope to be developed as a gateway to South East Asia in next five to six years through enforcement of zone planning.

Value-added performance and Human Resource Accounting provides not only economic information but also social information by identifying the portion of output, e.g. labour, taxes, creditors etc. that goes to each contributor in the process of an organization, say its stakeholders. Thus, value-added performance and human resource values plays a crucial role for the parties who are interested in it. In the light of the above significance, the present research was designed primarily to measure human resource value and value-added contribution of the Visakhapatnam Port Trust (VPT) for a period of 10 years from 2002-2003 to 2011-2012.
Human Resource Accounting is a new notion for Visakhapatnam Port Trust, although it has been in operation since 1933. No efforts have been made by the Visakhapatnam Port Trust Authorities in implementation of Human Resource Accounting yet.

6.4. Findings of the study

1) The total value of human resource at Visakhapatnam Port Trust for the study period is arrived at Rs. 407386961585.92

2) It was observed from the above analysis that the value of human resources is high amongst class III with 57.43% of total Human Resource Value and followed by Class IV with 28.05%.

3) Human resources value is higher with the number of employees.

4) Class I with 9.47% of total Human Resource value contribution and Class II contribution was 3.96%.

5) 41-50 age group contribution stood at 1st place with 35.94%, 51-60 age group contribution stood at 32.12% of overall human resource value, followed by 31-40 age groups with 29.79% of total human resource value contribution.

6) The contribution made by 20 and 20 and <20 and 21-30 age group together with 2.14% of Human resource value contribution due to few number of employees at this age category.

7) The distribution towards human resources was high with 71.25% and followed by 21.21% towards entity in the form of reserves and surpluses, which can be used for re-investment in the business.

8) VPT had very less long term debt from outsiders, it had funds from government with less cost of capital. This can be clearly understood with the help of contribution towards bankers share, financial institutions and government with 7.53%.

9) The estimated equation between NVA and influencing factors, is the best fit because the F- value is 430.34 which statistically significant at one per cent level (p<0.0023). The value R$^2$ quantifies goodness of fit.
10) The estimated equation between gross output (dependent variable) and NVA is the best fit because the $F$-value is 112.57 which are significant at less than 1% level. The explanatory variable explains 93% variation ($R^{2}=0.925$) in the dependent variable. The dependent variable is found to be significant at 1% level. The significance of the result is When $R^{2}=1.0$, all points lie exactly on the curve with no scatter.

11) Five age groups of VPT (dependent variables) are estimated with NVA, and only one workers age group i.e. 41-50 identified to be significant at 1% level. The significance of the result is When $R^{2}=1.0$ or nearly 1.0, then all points lie exactly on the curve with no scatter.

12) Four classes of VPT Workers (dependent variables) are estimated with NVA, and only Class I employee contribution is found to be statistically significant at 1% level. The significance of the result is When $R^{2}=1.0$ or nearly 1.0, then all points lie exactly on the curve with no scatter.

### 6.5. Conclusion

Organizations do not present sufficient information for the valuation of Human Resource Accounting. HRA is a tool can be used to overcome the difficulty of valuing human resources as assets. Presentation of HRA improves the image of an organization. The significance of Human Resource Accounting in India can be evaluated by the government report, that approximately 73% of national income is used to compensate human resources or workforce. Besides, the regular payments like salaries, wages, and the organizations make ample investments in their human resources.

There is a need to educate public undertaking organizations, (manufacturing/services) to reformulate their future plans, goals and objectives in such a way that will be more consistent towards their goals and aspirations of the local and regional communities. Adopting techniques like Human Resource Accounting and Value Added Performance methods because of the important role it plays in the development of local communities, and to ensure corporate social responsibility towards their communities.

These specific findings, offer new insight into exploring the association between the value of human resources and firm’s value added performance. The study has arrived to the solid
conclusion on how age and designation of the Visakhapatnam Port Trust employees are influencing its value added performance. The results are fitting for further research and greater scope. The Human Resource Accounting implementation helps to get better managerial decisions. Visakhapatnam Port Trust erstwhile in operation since 1993 Human resource accounting and value added concepts are very new concepts, even though not much methodical efforts have been made by Visakhapatnam Port Trust in introducing human resource accounting and measuring value added performance. The results from the study may influence the VPT authorities to consider the importance and prepare the organization in introduction of valuation of human resources as well as measurement of value added performance. The study showed the positive influence of human resource value on value added performance of the VPT. In order to achieve overall turnaround performance, it is important that the Port authorities consider the significance of human resources as a vital asset of the organization to achieve its goals and objectives and to perform better amongst competitor the private as well as the public operated ports and both within and outside India.

The movement toward Human Resource Accounting seen in recent years, for both U.S.GAAP as well as for International standards, indicates a more sophisticated approach to the measurement of assets, tangible as well as intangible. This might suggest a willingness to recognize the need for, and consider the measurement and use of HRA in future external financial reporting.

Insight of numerous articles and books published on Human Resource Accounting (HRA) and Value Added (VA), little awareness is known about the outcome of such efforts. HRA and VA are voluntary disclosures, which made compulsory in many nations, but it is not obligatory in India. Many researchers and practitioners pushed forward the concepts, many applications and models are developed in the fields of HRA and VA. Even though, HRA suffers from few drawbacks, today in India but many organizations are treating their employees as main assets, and is coming forward to present HR values in their financial reporting.

Despite the basic differences between HRA and VA, they are treated as if they were very similar because the concepts are related to voluntary disclosures.

In the present study the researcher tried to establish the relationship between the concepts of HRA and VA, and found that there is a significant relationship between these concepts.
Presenting HRA and VA in financial reporting is an important process and itself has a great value. The true measuring and reporting the concepts HRA and VA is a learning process and results in efficient managerial decision making and overall performance of the organization.