CHAPTER-VI

Summary of findings and Suggestion
The present chapter gives a summary of the work done, conclusions drawn basing upon the analysis presented in chapters III, IV, and V and suggestions for improving Human Resource Accounting Practices in the selected public sector and private sector undertakings in India.

**Summary**

Human Resource is a vital ingredient of the social system. Human Resource is one of the five essential resources available to any organisation. The importance of Human Resources associated with an organisation has been well recognised now a days. The Human Resources may be of skilled type or unskilled type. If the Human Force of an organisation has sincerity and efficiency, the organisation is likely to have a competitive edge over others irrespective of the type of Human Resources. According to Hari Das, “successful organisations have active Human Resource Departments. No wonder that successful multinationals such as Microsoft, Texas Instruments and Gillette invest considerably in developing and preserving their Human Resources. Human Resources are truly the most valuable resources a firm can possess”. The importance of Human Resource for any organisation can also be revealed by the statement “Human Resource at present, is considered to be the valuable asset to an organisation. A successful business organisation is built on productive employees who impart knowledge, skills, talents, creativity and aptitudes to the best of their ability”.

Likert (1967), Johnson and Kaplan (1987) said that absence of Human Resource as an asset in the balance sheet, violates the accrual principles of disclosure, underrates a firm’s net worth and current income and thereby not reflect the true and fair view of an organisation.

The valuation of Human Resources generally mean monetary valuation. In the history of evolution of concept of Human Resource Accounting, most of the significant work has been done
in the past two or three decades. However, attempts were made by many thinkers in this field years ago, but the real work regarding consideration of Human Resource as an asset had started after the evolution of behavioural approach, that is after 1960.

The need for Human Resource Accounting is felt because of the vitality of manpower as an asset of the modern enterprise. It is people who employ, plan, promote and produce to accomplish the organisational goals. The preponderance of people as the most valuable assets, has been acknowledged since times immemorial. The organisational climate that provides an opportunity of making the fullest contribution of its people is said to be effective. Man is not a substitute or subordinate to the inanimate assets as well as advancements in production methods and systems. The so called sophisticated and scientific work study technological exacerbation’s and innovative adaptations as well as organisational manifestations can be anti-productive unless they are recognised to be a broad set of guidelines within which the individual literally performs his job.

Accounting of Human Resource is nothing but mainly the valuation of Human Asset in monetary terms and the process of their recording and disclosure. Eric Flamholtz defines Human Resource Accounting as “Accounting for people as an organisational resource. It involves measuring the costs incurred by business firms and other organisations to recruit, select, hire, train and develop Human Assets. It also involves measuring the economic value of people to the organisations”.

According to American Accounting Association (1973) Human Resource Accounting is the process of identifying and measuring data about Human Resources and communicating this information to interested parties. According to C.S. Venkata Ratnam, and B.K. Srivastava Human Resource Accounting may be referred to as a process of identifying, measuring and
communicating information about Human Resources in financial terms to aid Human Resource planning and control.  

Human Resource Accounting

- is highly useful in taking decisions relating to human resources,
- is a means to formulate policy to build long term human resource capabilities, and
- would unfold the magnitude of Human Resource contribution to accomplish the enterprise goals.

In India, Human Resource Accounting has not been introduced so far as a system. But its importance as a managerial tool has been recognised. The annual reports of some companies contain information regarding the manpower employed, man hours lost and the associated loss of production, the Human Resource productivity, etc. The monetary value of Human Resources has been reported by M/s. Bharat Heavy Electricals Limited. The company introduced a system of Human Asset reporting from 1974-75 in the capacity of image projection.

**Objectives of the Study**

The main objective of the present research is to study the Human Resource Accounting Practices being followed by the public and private sector undertakings. However, the following are the specific objectives.

1. To examine and discuss the need for importance of Human Resource Accounting Practices in the changing scenario.

2. To analyse the Human Resource Accounting Practices followed by the select public sector undertakings.

3. To highlight and discuss the Human Resource Accounting Practices being followed by the private sector undertakings.
(4). To make a comparative study on the Human Resource Accounting Practices being followed by both public and private sector undertakings in India.

(5). To offer suggestions for effective implementation of Human Resource Accounting Practices both in public and private sector undertakings.

**Hypotheses**

The Study was based on the Hypotheses that.

(I) Many companies do not follow Human Resource Accounting.

(II) Even in the other companies, which follow Human Resource Accounting do not specify the objectives, methods and approaches.

(III) Many companies comply only with statutory requirements.

**Sampling techniques**

For the purpose of the study, purposive sampling technique has been used in selecting both public and private sector undertakings operating in India.

**Scope of the Study**

The scope of the study has been confined to selected six public sector undertakings and six private sector undertakings which are following human resource accounting practices. Besides, the period of study has been restricted to the annual reports of the selected undertakings for two years i.e. from 2008-2010.

**Method of data Collection**

Data required for the research has been collected from the secondary sources.

The following units are selected for the purpose of this study.
Conclusions

On the basis of the analyses presented in chapters III, IV and V, the following conclusions can be drawn.

I. Public Sector Undertakings

1. Engineers India Limited introduced Human Resource Accounting in the year 1980-81. The company has not mentioned the objectives of Human Resource Accounting. The company uses “Statement Form” of reporting. The company has divided the employees into two categories (a) Officers, and (b) Staff. The company follows Historical Cost Method for the purpose of valuation of Human Resources. The company has adopted Lev and Schwartz Model in Human Resource Accounting.

2. HPCL has not mentioned the objectives of Human Resource Accounting. The company uses “Statement Form” of reporting. The company has divided the employees into two types (a) Management Employees and (b) Non-Management Employees. The company follows historical cost method for the purpose of valuation of Human Resources. The company has adopted Lev and Schwartz model.

3. MMTC did introduce Human Resource Accounting during the year 1982-83. The company has not mentioned the objectives of Human Resource Accounting. The company uses “Statement Form” of reporting. The company has divided the employees into three categories: (a) Officers, (b) Staff and (c) Workmen for the purpose of Human Resource Accounting. The company has adopted Lev and Schwartz model. No where, it is mentioned that which cost method it has used for the purpose of evaluation.

4. NTPC introduced Human Resource Accounting in the year 1986-87. The company has not mentioned the objectives of Human Resource Accounting. The company uses
“Statement and descriptive form” for reporting about human resources. The company has divided the employees into four groups – A, B, C, D. The Company follows Historical Cost Method for the purpose of valuation of human resources. The company has adopted Lev and Schwartz Model in Human Resource Accounting.

5. ONGC has not mentioned the objectives of Human Resource Accounting. The company uses “Statement Form” of reporting. The company has divided the employees into two types (a) Executives and (b) Non-Executives. The company follows historical cost method for the purpose of valuation of Human Resource. The company has not reported which model is followed.

6. SAIL introduced Human Resource Accounting in the year 1983–84. The company has not mentioned the objectives of Human Resource Accounting. The company uses “Statement Form” of reporting. The company has divided the employees into two categories (a) Executives and (b) Non–Executives for the purpose of Human Resource Accounting. The company follows Historical Cost Method for the purpose of valuation of Human Resources. The company has adopted Lev and Schwartz model.

II. Private Sector Undertakings

1) Associate Cement Company Limited introduced Human Resource Accounting in the Year 1983-84. The company has not mentioned the objectives of Human Resource Accounting. The company uses “Descriptive Form” of reporting. The company has not divided the employees into difficult categories for the purpose of Human Resource Accounting. The company has not reported which cost concept is used for the valuation of Human
Resource Accounting. The company has adopted Lev and Schwartz Model in Human Resource Accounting.

2) Chennai Petroleum Corporation Limited Introduced Human Resource Accounting in the Year 1985-86. The company has not mentioned the objectives of Human Resource Accounting. The company uses “Descriptive and Statement Form” of reporting. The company has divided the employees into different categories for the purpose of Human Resource Accounting. The company has reported Historical cost concept is used for the valuation of Human Resource Accounting. The company has adopted Lev and Schwartz Model in Human Resource Accounting.

3) Infosys Technologies Limited introduced Human Resource Accounting in the Year 1995-96. The company has not mentioned the objectives of Human Resource Accounting. The company uses “Descriptive Form” of reporting. The company has not divided the employees into difficult categories for the purpose of Human Resource Accounting. The company has not reported which cost concept is used for the valuation of Human Resource Accounting. The company has adopted Lev and Schwartz Model in Human Resource Accounting.

4) Infotech has not reported in which year it introduced Human Resource Accounting. The company has not mentioned the objectives of Human Resource Accounting. The company uses descriptive form of reporting. The company has not divided the employees into different categories. The company follows historical cost method for the purpose of valuation of Human Resources. The company has not reported which model is used in Human Resource Accounting.
5) Reliance Industries Limited has not reported in which year it introduced Human Resource Accounting. The company has not mentioned the objectives of Human Resource Accounting. The company used descriptive form of reporting. The company has not divided the employees into different categories. The company follows historical cost method for the purpose of valuation of human resource. The company has not reported which model is used in Human Resource Accounting.

6) Tata Motors Limited has not reported in which year it introduced Human Resource Accounting. The company has not mentioned the objectives of Human Resource Accounting. The company uses descriptive form of reporting. The company has not divided the employees into categories. The company has not reported which cost concept is used for the valuation of Human Resource Accounting. The company has not reported which model is used in Human Resource Accounting.

I. Public Sector Undertakings

Five out of six public sector undertakings have reported the year of introduction of Human Resource Accounting system in their concern. Engineers India Limited seems to be the early introducer of Human Resource Accounting. It has been reported that Engineers India Limited has introduced in the year 1980-81. As per the information available Oil and Natural Gas Corporation Limited is the second one. It has introduced, Human Resource Accounting in 1981-82. Minerals and Metals Trading Corporation has introduced in 1982-83. Steel Authority of India Limited has introduced in 1983-84 while National Thermal Power Corporation Limited used in 1986-87.

All the public sector undertakings have not mentioned the objectives of Human Resource Accounting. Five out of six public sector undertakings uses statement form of reporting out of the
Six public sector undertakings the National Thermal Power Corporation Limited uses statement and descriptive form of reporting. All the public sector undertakings (studied) have classified the employees for the purpose Human Resource Accounting.

Even among the public sector undertakings there is no uniformity regarding classification of employees for Human Resource Reporting. The variation in the classification makes difficult the comparison. Classification of employees and inclusion for the purpose of Human Resource Accounting should be standardised and the implementation be made mandatory.

Five out of six public sector companies in the present study have reported the ‘cost concept’ used. All of them use historical cost method for the purpose of valuation of Human Resources. Out of six public sector undertakings, Minerals and Metals Trading Corporation of India Limited has not reported which cost concept is used for the purpose of valuation of Human Resources.

Three out of six public sector undertakings have reported the usage of Lev Schwartz model. One public sector company i.e., Steel Authority of India Limited is using Lev and Schwartz model with refinements as suggested by Flamholtz and Jaggi and Lau. The others i.e., Engineers India Limited, Oil and Natural Gas Corporation Limited have not reported which model is being used.

II. Private Sector Undertakings

Three out of six private sector undertakings has reported year of introduction of Human Resource Accounting system in their concern. Associated Cement Company limited has introduced in 1983-84. Infosys Technologies Limited has introduced in 1995-96 and Chennai Petroleum Corporation Limited in 1985-86. All private sector undertakings have not reported the objectives of Human Resource Accounting. All private sector undertakings use descriptive form
of reporting. One out of six private sector undertakings has reported about categorisation of employees.

Four out of six private sector undertakings (studied) have reported the cost concept used. All of them use Historical Cost Method for the purpose of valuation of Human Resources. Remaining two private sector undertakings i.e., Infosys Technologies Limited, Tata Engineering and Locomotive Company Limited have not reported which cost concept is being used for the purpose of valuation of Human Resources.

Three out of six private sector undertakings have not reported which model is being adopted by them. Remaining three private sector companies i.e., Associated Cement Company Limited, Infosys Technologies Limited and Chennai Petroleum Corporation Limited have reported the usage of Lev and Schwartz model.

Suggestions

On the basis of conclusions drawn, the following suggestions can be made.

1. It is better, if all the companies in the country introduce Human Resource Accounting system i.e., A system to identify, measure and report the value of Human Resources.

2. It is better to specify and standardize the Human Resource Accounting Practices, standardization facilitates comparison.

3. Human Resource Accounting may be made mandatory for companies with capital exceeding certain limit.

4. All the companies should report
   a. The date of introduction of Human Resource Accounting,
   b. Objectives of Human Resource Accounting,
   c. The cost concept used, and
d. The Human Resource Accounting model used.

This facilitates comparison and evaluation of Human Resource Accounting Practices.

5. Many companies are using Historical Cost concept. They can not ignore the existence and usefulness of the other cost concepts

6. Uniform categorization of employees may be used by all the companies for the purpose of Human Resource Accounting.

7. Statement and descriptive form of Reporting may be used by all the companies.

These are some of the suggestions. Many more suggestions may emerge if a more detailed study of Human Resource Accounting Practices is undertaken. Anyhow, it can be said that, there is a dire need for adoption, standardization, harmonization and full disclosure of Human Resource Accounting Practices in the country.
REFERENCE


2. Dr. Hari Das, a famous Professor of Management in Canada.


8. M/S. Bharat Heavy Electricals Limited is engaged in world wide business in the area of Electrical / Mechanical Engineering equipment for the generation, transmission and the utilisation of energy. The company made it a point to put Human Resource Development as one of the corporate objectives.