CHAPTER III

REVIEW OF LITERATURE
Researchers have proposed many different theories about the factors that influence the Human Resource Accounting. Since the source available in the field under reference is wide in scope and nature, it is found in the form of popular write-ups, working groups, research studies/articles of researchers/economist are presented in this chapter. This chapter also examines the literature relevant to the study, it is much important as it would provide the reader a profound view about various aspects underlying in the present research work. Relevant studies carried by different authors are explained in two categories 1) International Reviews and 2) Indian Reviews. These studies are given below:

3.1 INTERNATIONAL REVIEWS

Nabil Elias (1972)\textsuperscript{22} has examined with an experiment conducted with a help of Questionnaire distributed to several groups with different levels of sophistication and orientations to accounting and to three student group enrolled in an intermediate accounting course. Financial statements were prepared with human assets and without human assets and the participant were asked to select one of the two companies as the company for better investment. The findings of the study revealed that the differences among occupational groups, given the human assets treatment, were not statistically significant, No significant relationships could be ascertained between the back ground variables examined and company choice.

James A. Hendricks (1976) analyzed two hypothetical firms, the A Company and the B Company, were constructed with Two sets of financial statements, One set, called conventional statements, contains comparative balance sheets and income statements constructed under conventional accounting procedures. On the conventional statements, Company A had higher net income than Company B and appeared in all respects to be the better investment. The second set of statements, called human asset statements, incorporated a Human Assets account, the amortization of human assets and appropriate explanations were distributed, correlation was used for the analyses and concluded that stock investment decisions were affected by the addition of human resource accounting information to conventional accounting information further the result implies that the degree of openness of the belief system is not important in explaining the differences in decision when human resource accounting information is added to conventional accounting information.

Lawrence A. Tomassini (1977) has selected fifty-two volunteer subjects from The University of Texas at Austin, each subject has been randomly assigned to either an experimental group which is accessible to both Conventional Accounting and Human Resource Accounting data or a control group, accessible to Conventional Accounting data only. He found the decision alternatives among the subjects with a help of a questionnaire. The result of the study revealed that the

Human Resource Accounting data would affect the decision preferences and also said that this type of evidence was needed to assess, further the effects of HRA and to compare the benefits of such effects with the costs incurred in generating them.

Kenneth P. Sinelair (1991) has given evidence in his study about accounting for Human Resource Expenditures and Internal Performance Evaluation. He selected individuals of nine different companies; three versions of a questionnaire were distributed. Regression analysis has been used for the study. The result of the study revealed that the subjects under the Capitalized format selected a different ranking than those under the other two formats (i.e.) Traditional format and Supplemental format and concluded that the Human Resource Accounting information could affect decision making. Companies may begin to accumulate and report Human Resource Expenditure for internal evaluation. This study also suggested that Human Resource Accounting would lead to a better assessment of effectiveness of effort and expected performance.

Dewan Mahboob Hossain et al (2004) has investigated a sample of 17 companies which are selected from the Dhaka Stock Exchange, the data, collected with a help of questionnaire and they used descriptive statistics of words and sentences used in Human resource disclosure and concludes that there is no mandatory requirement from any kind of authority to disclose on this kind of issue, the companies of Bangladesh are disclosing these matters voluntarily and some of

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the companies in Bangladesh have started to feel the importance of disclosing this issue. The effort of these companies can be considered praiseworthy because they are doing it out of their own consciousness as there is no mandatory rule of this kind of disclosures from the regulatory bodies. Adequate disclosures to the stakeholders in this regard can be the most effective mechanism to strengthen the decision-making capabilities of the shareholders. This sort of reporting by some of the companies might encourage other business companies to do the same thing and such voluntary disclosure would ameliorate their reporting standards.

Alistair M. Brown et al (2005)\textsuperscript{27} has distributed five hundred letters among Pacific Island Countries, totally 110 reports have been received back. Multiple regression testing for significance between the level of HRD and ethnic background, industry, entity and size attributes is not significant for overall model. The result indicates that there are low disclosure levels for the eight components of HRD, suggesting that HRD is not central to the presentation of PIC Annual reports. The result further indicates that there is no significant difference between users and preparers rating of the importance of eight components of HRD issues. A partially significant result is found for the HRD components Employment minorities or women, but both users and preparers ranked this lowest.

Taru Vuontisjarvi (2006) in his study on Corporate social reporting in the European Context and Human Resource Disclosures has explored to what extent the Finnish companies have adopted socially responsible reporting practices. The research focuses on human resource reporting and covers corporate Annual reports. He has applied content analysis for the analysis of data. The result indicates that social reporting practices are still at an early stage of development in Finland. He concludes that training and staff development, participation and staff involvement, employee health and well being and finally employees work atmosphere or job satisfaction have been focused as a major theme for reporting about human resources. He also further concludes with the lacking of overall consistency and comparability with each other and quantitative indicators are disclosed by a few only.

Filomena Antunes Bra’s and Lu’cia Lima Rodrigues (2007) has shed light on Accounting for firm’s training programs, they are conducted to analyse two competing approaches to accounting for the investment of a firm in staff training activities the accounting and labour economic approach and the human resources management approach. They have collected data with a help of case study analysis, conducted in two Portuguese companies where human capital is said to be a critical factor of firm success. They found that there are two situations concerning a firm’s investment in human capital training one where no asset value is generated, in

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another the accounting definition of an asset requiring value generation is satisfied. The study concludes that human capital accounting is to provide useful information to users of financial statements. Hence training is a firm investment in human resources.

**Esteban Lafuente, Rodrigo Rabetino (2008)** in their study has selected 635 Romanian firms for the collection of data. The objective of the study is to examine the impact that certain human capital variables have over employment growth of small firms in Romania. Regression analysis is used to test the hypotheses i.e. the entrepreneur also serves as general manager to exhibit higher employment growth rates, positive relationship between previous work experience of entrepreneur as an employee and firm’s employment growth related to their study. The data has been collected with the help of a questionnaire, collected from Centre for Entrepreneurship and Business Research (CEBR). The study finds that the human capital matters for explaining the employment growth of small firm. Previous work experience, the presence of entrepreneurial teams and the proportion of family members working in the business appear as determinant components. In addition, the results indicate that an active involvement of the entrepreneur in managerial tasks increase the intensity with which the entrepreneur makes use of his human capital and this leads to higher employment growth rates.

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Shraddha Verma and Philip Dewe (2008)\textsuperscript{31} has made an attempt on Valuing human resources in UK companies, data has been collected with a help of a questionnaire. The purpose of the study is to identify and describe perceptions and practices in valuing human resources in three types of UK Company’s i.e. traditional companies, knowledge intensive companies and local authorities. The study has found that the majority of the respondents have agreed that the measurement of human resources is important to their company, a little or moderate progress is expected in measurement practices over the next few years. The main reasons for this are lack of organisational support, uncertainties as to what should be reported, lack of precision in current measurement practices and sensitivities around what should be reported.

Syed Abdulla Al Mamun (2009)\textsuperscript{32} in his study said that the companies with higher profitability intended to disclose more human resource accounting information. For his study, he randomly selected 55 listed Public limited companies in Dhaka Stock Exchange (DSE). The companies are classified under two broad headings: Financial and Non-Financial sector. Financial sector includes banks and insurance companies. Non-Financial sector includes cement, fuel & power, textile, pharmaceuticals & chemical and others. He used Kolmogorov-Simirnov test to test the normality of the HRA variables.

This study indicates that Human Resource Accounting is very important factor to decision makers in the era of knowledge based economy. This study initiates to reveal the relationship between corporate attributes and HRAD of listed companies in Bangladesh.

Its result shows that company size is significantly associated with HRAI, which leads to conclusion that a larger company with higher market value discloses more HRA information than smaller companies. The possible reason for the result could be that large companies in DSE are motivated to disclose more HRA information in their Annual report to uphold their market value. In addition, the results also find, the financial companies are disclosing HRA information than non-financial companies and company’s profitability, positively influencing companies to report the information in their Annual report. It indicates highly regulated financial companies are disclosing more HRA information than non-financial companies. Hence regulation structure in Bangladesh is enhancing the disclosure practice particularly in the area of HRA.

Alam & Kanti Deb (2009)\textsuperscript{33} in their study have investigated some corporate attitudes that influence human resource accounting disclosure in Bangladesh. They have attempted in finding out relationship between corporation size and HRAD, and examining the relationship of profitability and HRAD of the listed companies in Bangladesh. He has found that, in Bangladesh, market capitalization position, profitability, category of corporation and multinational affiliation and concentrated

\textsuperscript{33} Alam & Kanti Deb (Jan- June 2010), “Human Resource Accounting Disclosure (HRAD) in Bangladesh” Multifactor Regression Analysis- A Decision Tool of Quality Assessment”, Nirmay – Research, vol.4, pg 77
ownership have significant influence on human resource disclosure. It ensures major benefit to the society through ensuring greater transparency and higher productivity. Company size is significantly associated with HRAD. The possible reason for the result could be that large companies in DSE and CSE are motivated to disclose more HRA information in their Annual report to withstand in their market value. He also found that highly regulated financial companies are disclosing more HRA information than non financial companies and companies profitability positively influences companies to report the information in their Annual report.

Naveed Iqbal Chaudhry and Muhammad Azam Roomi(2010) in their study on “Accounting for the Development of Human Capital in Manufacturing Companies” have developed a questionnaire for the collection of data, only those manufacturing companies i.e. textile sector who have already working in training and development of their human resources have been included in the sample. About 30 companies in the Pakistani textile sector have been taken as sample for their study. All the respondent companies are listed at Lahore and Islamabad Stock Exchanges. The sample uses Kirkpatrick’s model for evaluation. The results provide evidence of an association between investment in the development of human capital and the benefits which company can reap from this investment. The training and development cost have a positive impact on individual employee and aggregate company performance in the shape of increased outcomes in the long run. The enterprise with high investment in the development of human capital has reaped

huge returns both in the form of profits and growth. Finally it is concluded that the investment on the development of human capital has a direct impact on the bottom line of enterprises.

**Miin Huui Lee (2010)**\(^35\) has chosen a sample of 522 company listed on the Main Board of Bursa Malaysia are selected for the study. The data has been analysed by using Krippendorff’s alpha, Cohen’s Kappa, Correlation, and Regression and by using SPSS. The statistical analysis has found that the most common term for Malaysian companies has been applied to disclose information in relation to human resource, i.e. “Employee”, followed by “Staff”, “Labour”, “Human”, “People”, “Workforce”, “Workers” and “Recruit”. The analysis also reveals that there is a significant relationship but low correlation on the variables of market capitalization, listing and types of industries to the disclosure of human resource disclosure for the companies’ Annual reports.

**Imtiaz Alam and Suman Kanti Deb (2010)**\(^36\) in their study have taken a sample of 58 companies of different categories enlisted either Dhaka Stock Exchange (DSE) or Chittagong Stock Exchange (CSE). The companies are classified under two broad headings: Financial and Non-Financial sector. Financial sector includes banks and insurance companies. Non – Financial sector includes cement, fuel and power, textile, pharmaceuticals & chemical and others. Published Annual reports of the aforesaid companies have been used as a secondary source.

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\(^{36}\) Imtiaz Alam and Suman Kanti Deb (May- June 2010), “Human Resource Accounting Disclosure (HRAD) In Bangladesh: Multifactor Regression Analysis – A Decisive Tool of Quality Assessment” – Cost and Management, pp 9-12
Each company has been awarded a score of “1” if the company appears to have disclosed the concerned disclosure and “0” otherwise. Once scoring of the companies is over, each company ends up with a score, reflecting the number of disclosures against which it is found to have disclosed. Then the score of the respective company is divided by the total number of score. These scores are then used as dependent variable and they tried to explain the size of the company that might explain variations in HRAD of the company under study. The hypothesis of the study can be specified as there will be a positive association between company size and level of HR disclosure; this paper uses simple ordinary least square regression technique for the analysis of data. It is concluded by stating that the financial companies are disclosing more HRA information than non-financial and company’s profitability positively influences companies to report the information in their Annual report. It indicates highly regulated financial companies are disclosing more HRADI than non-financial companies. Hence regulating structure in Bangladesh is enhancing the disclosure practice in the area of HRA. The study does not find any relationship between the age of the company and HRAD.

Stephen Gates and Pascal Langevin (2010)\textsuperscript{37} has shed light on “Human capital measures, strategy and performance: HR managers’ perceptions”, they have collected quantitative data with a help of a questionnaire and qualitative data by conducting interviews. Totally 104 HR executives have been selected as a sample. Two types of HCM are derived using principal component analysis. One factor

measures employees’ work efficiency and cost consciousness, whereas the second factor measures employees’ entrepreneurial and innovative capabilities. The study observed that according to HR managers, the more advanced a company is in the development of HCM, the higher the company’s performance and those companies which follow a differentiation strategy, HR managers are interested in innovation indicators while in those following a cost reduction strategy, HR managers are interested in efficiency indicators.

Habib Uz Zaman Khan and Rasidozzaman Khan (2010) in their study on Human Capital disclosure practices of top Bangladeshi companies have used three years Annual report of thirty two leading manufacturing and service sector companies listed on the Dhaka Stock Exchange, selected on the basis of the market capitalization to identify human capital reporting trends. He has analysed using content analysis and concluded that the HC reporting practices of leading Bangladeshi firms are not as low as projected in relation to the total list of items reported. The most commonly disclosed HC items are about information on employee training, number of employees, career development and opportunities that firms provide, and employee recruitment policies. Moreover, as a result of a degree of interventions on the part of some Bangladeshi regulators, the extent of reporting was increased during 2009-10.

Fariborz Avazzadehfath and Dr.H.Rajashekar (2011)\textsuperscript{39} has studied about the impact of provision of HRA information on investment decisions in order to improve the quality of financial decisions made by the groups inside and outside an company through entering HRA information in total decision making traditional variables. The authors have selected 68 companies of Tehran Stock Exchange as sample size by using Random Sampling Technique. This research in terms of methodology is a descriptive/correlation research. The authors have used systematic or closed questionnaire for the collection of data, the relevant statistical methods like Mean value, Standard deviation, Correlation coefficient, T-test, F- Test, Chi-square and Compare Means test have adopted to arrive at meaningful conclusions. Results of the survey indicate that historical cost method, also called the original cost, is the most applicable method in current status of Iranian companies. In this method human resource cost (HRC) includes the acquiring, recruit, training and development costs. This method has greater acceptability by tax agencies and it is more common than other methods in the accounting operations of assessment assets. The findings of the study revealed that the inclusion of HRA data in published financial statements resulted in, one, significantly different ratings of analysts’ readiness to meet future challenges and opportunities in Iranian context and, two, statistically different evaluating of a firm's position in terms of external users.

**Dr. Hamid Saremi (2011)** has used both "primary” and “secondary” data for the research, by using t-student test statistic the researcher elucidate that the investment in human resource and employees’ motivation are positively correlated and therefore human resource accounting is essential and concludes that the human resource managers have diverse perception regarding human resource accounting information., some of the managers of sample companies do not believe human resources as an asset and their perception to their working force is more expense and they do not consider them as capital therefore there are no much investment or effort in improvement on the employees working condition. There are few HR managers and employees of these enterprises who are showing more sensitive and attention to human resource accounting information and they knew that this information can be useful in their decision regarding their strategies of their enterprises.

But overall result shows that human resources play the most important part in the development of an enterprise. HRA helps to measure the value of employees which helps management take the vital decisions related to human resources in order to increase production. And also there is dire need of changing perception of top managers as well as employees toward the role and importance of human resource accounting and its effectiveness in improvement and development of company.

**Ishola Rufus Akintoye (2012)** has examined the relevance of Human Resource Accounting to Effective Financial Reporting, he used secondary data

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obtained from Oceanic Bank for a period of five years from 2002-2006. Simple linear regression, correlation are used to study the impact of total asset on the profit and capital employed by the bank. He found that there is high co-efficient of correlation between the total asset and the profit earned after tax, the variables are useful in determining the impact of total asset on capital employed, the rate of return when human resource value was included in the financial report was greater than the rate of return when human resource value was not included in the financial report from 2002-2006. Finally he concludes that the practice of accounting for investments in human resources as expenses rather than assets results in distorted income statements and balance sheets, the valuation of human resources in any firm creates impact on the production of such firm and the presentation of the value of human asset in the financial report tends to increase investment in such firm, as investors have the assurance that their resources are in good hands which will be effectively and efficiently managed overtime to create wealth.

Leyira Christian Micah et al (2012)42, carried out a work with the sample population of the firms which were continuously listed on the NSE between December 2005 and December 2009. The sample size consisted of fifty two listed firms randomly drawn from all sectors in Nigeria. Descriptive Statistics in the form of tables, percentages were used to present demographic and other data relating to the study. Multiple Regressions was used to analyse the possible relationship between firm’s financial performance and Human resource Accounting Disclosure

in Nigeria, using SPSS. The strength of the relationship between the Independent
and dependent variable were ascertained by using Pearson Product moment
correlation coefficient “r”. The study suggests that an inverse relationship exists
between the performance metrics (ROA) of a firm and its level of Human Resource
Accounting Disclosure. This is not surprising because, Return on Assets (ROA)
indicates a company’s overall profitability. When investments on human capital
development are expensed, the result will be that both assets and earnings will be
understated. This will motivate companies with a low level of earnings to provide
relevant information to investors and stakeholders regarding investment in human
capital not reflected on the balance sheet. Human Resource Accounting Information
of an organisation is very important factor for decision makers in an era of
knowledge based economy. As a result, each company takes serious attempt to
disclose its HRA information to decision makers from inside and outside. This is
becoming an integral part of management report.

**Bassey, Bassey Eyo and Tapang, Arzizeh Tiesieh (2012)**

Bassey, Bassey Eyo and Tapang, Arzizeh Tiesieh (March 2012), “Expensed Human Resources
Cost and its Influence on Corporate Productivity: A Study of Selected Companies in Nigeria”, Global
provided relatively strong support for the existence of a positive relationship between expensed human resources cost and the productivity of Nigerian company. The findings of hypothesis of this study indicates that there exist significant relationship between expensed human resources cost and performance of company. The study concludes that employment security should be seen as an important part of HRM practices. Companies that provide their employees with job security signal a long-standing commitment to their workforce, who in turn is motivated to develop special skills and competencies that are valued by their company. Employees perceive that their jobs are secure who are more likely to suggest productive improvements and to take a more comprehensive and long-term view of their jobs and the company’s performance.

Sulieman H. Al-Beshtawi (2012)\textsuperscript{44} in his study, has selected a sample of twenty one big banks in Jordan; stratified sampling has been used to elect approximately equal numbers of employees from each branch. The initial sample consists of 150 managers and employees working in Jordanian banks. Data have been gathered from 133 with a help of questionnaire out of that 128 are used for statistical analysis. Kaiser-Meyer-Olkin and Bartlett’s Test of Sphericity have been used as Pre-analysis testing for the suitability of the entire sample for factor analysis as recommended by Comrey (1978), the value of the Kaiser-Meyer-Olkin measure has been used to assess the suitability of the sample for each unifactorial determination and also descriptive Statistics Analysis which shows the statistical

description of the problems measuring the cost of human resources of 128 respondents, banks employees perceived the problem concerning Human resources assessment on the basis of non-historical methods.

He concludes that there is no one particular accounting systems for human resources in sample banks, so that these banks operate according to the traditional accounting method, Jordan accounting system does not recognize human resources as an asset of the Bank's assets, and financial statements limited to show traditional assets without human resources. The results of the study in this regard indicate that cost measurement of human resources is used for a simple calculation or to meet the requirements of securities and the external auditor's requirements.

**Bassey Eyo Bassey and Arzizeh Tiesieh Tapang (2012)** have focused on human resource cost which is useful for corporate productivity, they have collected data with a help of a questionnaire consist of ten companies listed in the Nigerian Stock Exchange. They used Spearman Brown Prophecy, Multiple regression for the analysis of data. The result of the study indicates that there exists relatively strong support for the existence of a positive relationship between human resources cost and the performance of Nigerian corporations. The statistical findings also reveal that capitalized human resources cost is an important determinant of company performance and development or training cost is highly and significantly related to the performance of corporate entities in Nigeria.

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Ahesta Perera (2012) has focused on Impact of Measuring and Reporting Human Resource on Investment Decisions in Sri Lanka, he has taken six commercial banks for the study, in the analysis of the study and finds that there is a significant relationship between non financial human resources information and investors stock acquisition decisions and stock disposals decisions. Findings of the study reveals that measuring and reporting of non financial human resource information have not influenced the corporate investors for the disposal of shares from the banking sector in Sri Lanka.

Dr.A.O.Enofe colin al (2013) in their study, have selected a sample size consisted of fifty (50) listed firms randomly drawn from all sectors in Nigeria, human resource accounting disclosure (HRAD) has been measured by constructing an index comprising fifteen (15) discretionary human capital disclosure items. It is compared with Return on Assets (ROA); ROA is a measure of profitability that takes into consideration the assets necessary to produce income. Descriptive statistics, Multiple Regression and Correlation analysis have been used to analyse the possible relationship between firm’s financial performance and human resource accounting disclosures in Nigeria. The study finds that a positive relationship exists between the financial performances of a company and its level of Human Resource Accounting Disclosure.

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Further, they found that the financial companies such as banks and insurance companies in Nigeria are disclosing human resources accounting information than non financial companies and company’s profitability positively influences companies to report the human resources accounting information in their Annual report. The paper also finds that the most companies (financial and non-financial) in Nigeria till now use the notes to the accounts as the preferred medium of disclosing human resources accounting information. The study also found that the level of human resources accounting reporting in Nigeria is very low.

Obara, Lawyer Chukwuma (2013)\textsuperscript{48} has selected the population of entire quoted companies in Nigeria, comprises of 207. They analysed the Conventional Treatment of Writing-Off Human asset development expenses to Profit And Loss account and corporate profitability and Conventional treatment of non-reflection of Human asset value in the Balance Sheet and Corporate profitability. The result reveals that there is a positive and significant relationship between the conventional treatments of writing off human development expenses to the profit and loss account and corporate profitability and there exist a weak, positive but insignificant relationship between conventional treatment of non-reflection of human development asset value in the balance sheet and corporate profitability. The study concludes that the current conventional treatment of writing off human development expenses to the profit and loss account impacts positively on corporate profitability due to wrong classifications of human asset development expenses in outsourcing

and internal development of hiring mode. The conventional treatment does not allow the impact of size and age of the company when assessing its impact on corporate profitability because conventional accounting procedure treat human development as expenses and are written off in both large and small companies.

Ijeoma, N., Aronu, C. O. (2013) throw light on the effect of human resource accounting on financial statement of Nigerian banks. They have selected a total population of 49 staff and a random sample of 43 staff, drawn from the branches of Zenith Bank Plc in Awka Town for their research. This includes both management and administrative staff of the bank. The data have been collected with a help of questionnaire and interview. The purpose is to give a clear understanding of the concept of human resource accounting in an organisation. The statistical tool, the Kruskal Wallis Test has been used in analyzing the data in order to test the hypotheses. Accounting for human resources does not improve the financial position of Zenith Bank Plc, Non application of human resource accounting measures do not contribute significantly to the future investment of Zenith Bank Plc and Accounting for human resource will not improve employee’s performance. The study concludes that accounting for human resources will affect the company positively in general and also affect the employees in particular. The finding implies that accounting system in Zenith Bank Plc is still based on an industrial paradigm where only fixed assets such as land, buildings, and motor vehicles are considered as assets, such that

every naira spent on training and development of employees are treated as expenses which affects the profitability of the firm.

Viktoriia Gontinuk (2013) in her study about the conceptual aspects of Human Resource Evaluation summarizes the conceptual position of human resources evaluation and explains the relationship between organisational purpose and systematic measures of human resources formation and development and identifies human resources indicators. The author concludes that Human resources evaluation helps in creating better rapport between the management and the subordinates; it helps subordinates to realize and value the goals of an individual and organisational. She further concludes that the current system of human resources evaluation should include technology, company, and information support of the process and provides economic, social, educational, motivational, informational and administrative elements of management. A method for the evaluation of human resources is also suggested based on expert method. The method uses fourteen human resources indicators and it’s easy to operate, easy to promote the use. The author finally concludes that the proposed method of expert’s evaluations can be applied to any company.

Dr. Adel M Qatawneh (2013), in his study, has aimed to determine the role of Human resource accounting information on Accounting Information System (AIS). The population of the study includes all the companies in Amman.

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Stock Exchange (ASE). The data have been collected with the help of questionnaire. The statistical analysis shows that human resource accounting information has a positive impact on the AIS and that human resource accounting information has a significantly statistical relationship with AIS itself, AIS development, cost reduction aspect in the AIS, the aspect of improving the operational performance of the companies AIS and finally with the customer service. Finally he concludes that Human resource accounting information has contributed to increase the efficiency and role of effectiveness of accounting information systems in companies.

Khaled Jamal Jaarat (2013)\textsuperscript{52}, in his study “Human Resource Accounting between Recognition and Measurement” has selected a sample of 130 corporations in Jordan, 390 questionnaires have been distributed, Percentages and one sample ‘t’ test are the test used for the analysis. He concludes that the possibility of measuring human resources, by using one of the generally accepted bases in accounting that includes in conceptual framework of financial report issued by IASB and the possibility of recognizing human resources as assets in the financial statement of financial position, depending on the definition of asset, that is an economic resources, controlled by entity as a result of past transaction, and the criteria of recognition related to probability of inflow benefits from the assets to the entity and possibility of reliable measurement to these benefits.

Ijeoma N. et al (2013)\textsuperscript{53} concentrate their study to determine the contribution of human resource accounting on financial statement of Nigerian Banks and survey method is used for the collection of data; they have collected the data with the help of a questionnaire. The purpose is to give clear understanding of the concept of human resource accounting in an organisation. The study has selected two branches of Zenith Bank and three branches of First Bank in Awka Town. They used the technique of Mantel test for the analysis of data. The result reveals the existence of a strong positive resemblance between the responses of Zenith Bank staff and responses of First Bank staff. The study concludes that human resource accounting has a significant improvement on the financial positions of Banks of Nigeria. If employees are the greatest assets there is urgent need for their values to evaluate and record in books and disclosed in the financial statements.

Iraj Isvand and Najaf Gharachorlu (2014)\textsuperscript{54} have attempted in Investigating the Influence of Human Resources Accounting Information on Managers Decision Making in Social Security Company of Khuzestan Province, by collecting data with the help of questionnaire and used descriptive statistics and correlation analysis, and the result proved that there is positive and direct relationship between human resource accounting information with improvement of managers decision making related to staffing, application, education and development, performance evaluation, reward and maintenance.

Enyi Patrick Enyi and Adebawoja Oladipupo Akindehinde (2014) have examined the human resource accounting and decision making in post industrial economy, 16 Public quoted Nigerian banks have been chosen for their study. The instrument for data collection were questionnaire, 400 questionnaires were distributed and analysed using a simple regression, ANOVA and F ratio. The result reveals that human asset significantly affects management decisions, and further it is concluded that there is need for the assets to be valued and capitalized like other intangible assets, like goodwill that are captured on companies balance sheets or statement of financial position.

3.2 INDIAN REVIEWS

Dinesh K Gupta(1992) carried out a work on Human Resource Accounting Disclosure Practices of the Companies in India, has scrutinized the Annual reports of top Public and Private sector undertakings (100 each as per the Economic Times rating on the basis of capital employed) for the period 1980-81 to 1986-87 were scanned. Out of twelve companies, ten from the Public sector, and two from the Private sector, were found to be publishing such information in their respective Annual reports. In order to evaluate the quality of disclosure regarding human resource accounting, certain variables were identified after scanning their Annual reports during the period under review. In all, 23 variables,

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generally concerned with the system of human resource accounting, were identified. He made a comparative analysis regarding the quality of disclosure made by various companies. The analysis shows that BHEL has given the maximum information, followed by MRL, and the least information was disclosed by EIL, followed by ONGC. BHEL has made consistent disclosure of these variables and concludes that the disclosure practices of various companies which publish HRA information show that most of the companies have focused on the disclosure of the variables used in the process of valuation. The variables which can help the users to derive logical conclusions regarding the quality and the use of human resources, attracts meager attention. Thus, the Indian corporate sector has still a long way to go in this field.

Debasish Sur and Amir Jafar (2008) have shed light on Evaluating Performance of Human Resources through Human Resource Accounting Information in NTPC, For this study secondary data were collected from the Annual reports of NTPC for the period from 1982-83 to 2001-02. The period 1982-83 to 1991-92 was taken as the pre-liberalization period, the years 1992-93 to 2001-02 were considered as the post-liberalization period. They used the technique of ratio analysis, simple mathematical tools such as percentages and averages, and statistical techniques such as Spearman’s rank correlation and multiple correlation, ‘t’ test and ‘F’ test were also applied. The study reveals that there was an overall increasing trend in the ratio of Human resources to Total resources indicating the growing

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importance of HR on the part of the company was noticed in the post-liberalization period, the overall performance of HR of NTPC Ltd. improved notably in the post-liberalization period. The study also reveals that there was a better consistency in the performance of HR of the company during the post-liberalization period.

M. Srimannarayanan (2009)\textsuperscript{58} in his study on Measurement of Human Resource Activities in India has designed to find out the measures used by industry in India. To assess effectiveness of different HR activities and questionnaire was used for the collection of data, it was sent to HR professionals working in different sectors in India during September 2008, totally 109 questionnaires were collected in manufacturing, IT, ITES and service sectors with a minimum experience of two years in their respective company, 56 possible measures of HR activities have been identified to assess the effectiveness of all domains of HR. It is concluded that employee compensation related activities have given more importance when compared to other domains of HR in measurement. Further the study concludes that it is true that the positive results of traditional HR measures reinforce HR managers for their contribution, but would not stimulate change for business impact. The study discloses that significant progress has been achieved with respect to measuring HR using traditional measures; the HR professionals now may focus on measures that concrete business improvement.

Dr. Yagnesh M. Dalvadi (2010)\textsuperscript{59} attempted to shed light on human resource accounting practices in Indian companies. The research has identified various reporting practices of selected Private and Public companies of Human Resource Accounting in its Annual report. Purposive Sampling technique has been used for the selection of sample units, two companies from Private sector and two companies from Public sector have been taken as sample, secondary data have been collected and comparative study has also done with one sample ‘t’ test. He said that there was significant difference between the average disclosures of selected companies. He suggested the government to frame a specific model that was acceptable to all companies and the government should made mandatory to value and disclose HR related information in its Annual report and to motivate companies for HRA, government should provide incentives like Subsidy, Tax exemption etc.

Pintu Sarkar (2011)\textsuperscript{60} in his study on Disclosures in Corporate Annual reports among the Public Limited Companies in India has selected a sample of top 12 sensex stocks based on market capitalization. He analysed about the Mandatory Disclosure Practices of sample companies and Voluntary Disclosure Practices of sample companies and concluded that the information disclosed in the Annual reports of companies today is undoubtedly far more exhaustive and useful than what was being reported earlier. Disclosures are presently made in many forms to address to the needs of shareholders, institutional investors, trade unions and policymakers.


\textsuperscript{60} Pintu Sarkar (October 2011), “Disclosures in Corporate Annual Reports - A Case study of some selected Public Limited Companies in India”, The Chartered Accountant, pp. 572-578.
As they currently stands, the compliance with the statutory disclosure requirement is a general phenomenon among Indian companies and financial reports provide a glimpse of past performance. However, many Indian companies have taken the initiative steps to disclose some additional information to perceive the diversified needs of the users.

*Aruna Saini and Ramdhan Saini* (2011) in their study on Intangible Assets Accounting Practices in Infosys Technologies Ltd, examined the intangible assets accounting practices by computing four important measures namely; Economic Value Added, Market Value Added, Brand Value and Total Shareholders Return and the variations of these four important indicators during the period from 2002-03 to 2008-09. They calculated the Mean, Standard deviation, Coefficient of Variation for EVA, MVA, TSR and Brand Value and concluded that Infosys Technologies Ltd has a very good image in the capital market and such as its shares are quoted in the Stock Exchange at a very high price. The investors are willing to pay more for its shares due to its positive growth in Economic Value Added (EVA), Market Value Added (MVA), Total Shareholders Return (TSR) and Brand Value over the years. They also have informed some eminent companies are showing some interest in using such intangible parameters internally as a performance gauge for refining efficiency and improving disclosure practices.

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Dr. Nidhi Sharma and Hitendra Shukla (2012) attempted an evaluation of Human resource accounting disclosure practices in Indian Companies. Purposive sampling technique is used for the selection of sample units. Sample is taken from both Public and Private sector companies. The study has been carried out based on secondary data. Data have been collected from Annual reports of the selected companies; they have applied one sample test and concluded that the level of disclosure of HRA is not high but appreciable. The companies selected for the study have adopted more or less Human Resource Accounting in practice.

Dr. (Mrs.) Asha Sharma (2012) has selected the sample size of 400 employees, and adopted Convenience random sampling method for the study. The employees include executives, managers, investors and shareholders. She has collected both the primary and secondary data. The primary data has been collected directly from target respondents through structured questionnaire and the secondary from Annual report of different companies of different industry. For the study the independent variables are profit, growth, recruitment, efficiency, turnover, development, acquisition, evaluating performance; the dependent variable is Human resource valuation. The statistical tools applied include tables, percentages, mean, standard deviation, rank method for correlation, Chi-square test for analyzing the data. The study reveals that Human resource accounting provides quantitative

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information about the value of human asset, which helps the top management to take decisions regarding the adequacy of human resources.

Hence it is concluded that Human Resource accounting reflects the potential of the human resources of a company in monetary terms, in its financial statements. The output of HRA system can be used to enhance performance of employees as well as company and to take a variety of decisions in the area of human resource management. But the number of companies that have adopted HRA system in India is low as it is not compulsory for the Indian Companies to value human resources and mostly used by Public sector but Private sectors companies are least interesting. Many more companies are still adopting this accounting system and enjoying their strong financial performance and efficient management.

Bhavin M.Badiyani (2012)\textsuperscript{64} in her study about human Resource Accounting history and she has focused on the popular models for assessing the value of human resources in the company. The author concludes that different companies are using various models according to their need and the nature of their human resources and now-a-days no economic growth can be made without giving importance to the human resources and without considering them as an asset.

Reeta and Upasna Joshi (2012)\textsuperscript{65} in their study entitled Managerial Uses of Human Resource Accounting, selected 200 companies as per the Economic Times rating for 2007-08, but based on the HRA information disclosure in their Annual


report and through mail and personal contact response only 19 companies were selected for the study. They used Likert Five Point scale to analyse the result. The study concludes that on the basis of the mean and standard deviation have been calculated for the various aspects of managerial uses of human resource accounting the usefulness of the human resource accounting in providing the estimates of the cost of recruitment from outside and development from within has been perceived to be the highest. The second best rating has been assigned to the help provided by the human resource accounting information in recruitment planning. 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 companies that have adopted HRA system in India is low as it is not compulsory for the Indian companies to value human resources.

Mamta Ratti (2012) in her study, focused on the calculation of the value of human resources at different levels of company and to determine the human resource efficiency quotient. Convenient sampling technique has been used for the selection of data. Fifteen Companies have been examined for the measurement of human resource measurement. The primary data have been used for this study. To process the data scientifically and to make it easily understandable statistical method of tabulation has been used. Compilation of data is done with the aid of computers. MS-Excel has been utilized for data processing and presentation. The study has found that the value of human resources does not depend upon the number of human beings employed or in other words, it can be said that if the number of employees

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are higher, then the value will be higher. The situation may be that value of human resources may be higher in spite of lesser number of human capitals.

Another factor that increases the value of human capital is the amount paid by companies to their employees. If companies pay higher amount of salaries to their human resources then the value will be higher, and if companies pay less, human capital will be low. For this reason only companies have higher number of human resources but their value is lesser than the companies which employed less number of employees. If companies pay higher salaries to their employees, the worth of human capital will rise. On the other hand, the manufacturing companies pay fewer amounts to their employees so their value of human resources will fall less in spite of employing large number of work force. She has concluded that HRA being an emerging area in accounting has greater potential for further research.

Rakholiya Nisha Rasikbhai and Dr. Prashant Makwana (2012) examined the Managerial uses of Human Resource Accounting; questionnaire was mailed to twenty four companies that are presently disclosing human resource accounting information in their Annual reports. On the basis of the mean and standard deviation they concluded that the usefulness of the human resource accounting in providing the estimates of the cost of recruitment from outside as well as development from within is perceived to be the highest. The second best rating was assigned to the help provided by the human resource accounting information in recruitment planning. The calculation of human resource value helped in performance evaluation of employees got the third highest ranking. Finally they

concluded that 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 companies that have adopted HRA system in India is low as it is not compulsory for the Indian companies to value human resources.

**Dr.A.Chandra Mohan et al (2012)** in their study on Human Resource Accounting in India-Quantification of Qualitative Factors of Employee have found out the Public enterprises of India which are following Human Resource Accounting, their discount rate, introduction of HRA in their enterprise and they have suggested that companies should recognize the importance of knowledge capital. There should be an Internationally Accepted Valuation System for Intellectual Capital. Incorporating Intellectual Capital provides opportunities for the companies to conduct seminars, lectures to know about the concept by the individual employee. The study concludes that the main objective of financial statement accounting has been achieved only through adopting of a Human Resource Accounting approach; it will reveal the “true and fair view” of the financial statements.

**Upasna Joshi and Reeta Mahei(2012)** in their work entitled Human Resource Accounting system in selected Indian companies, has used the purposive sampling technique for the selection of the companies. Two companies from Public sector and two from Private sector are selected for the purpose of study. They

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collected the secondary data from the intangible asset of Goodwill, Incorporate intellectual capital value measures in capital investment published Annual reports of the selected companies. The Annual reports of the selected companies were scanned for the period ranging from 2006-07 to 2010-11 to find out the HRA system of the sample companies. They made a Comparative Study of HRA System of selected companies showing various aspects considered for valuation by those companies and scores of the selected companies based on information disclosed and concluded that Human Resource Accounting had a great potential in the modern age of professionalization particularly in the case of labor-intensive service industry where human resource constituted prime resource. HRA information thus would be of immense help in decision making both for internal and external users; therefore, companies should adopt HRA system. Considering the significance of human resources in knowledge based sectors initiatives should be taken by the government along with other professionals, researchers and accounting bodies both at the national and international levels for the measurement and reporting of such valuable assets.

Dasari.Pandurangarao et al (2013) in their study about “A study on Human Resource Accounting Methods and Practices in India” have highlighted the significance of Human resource valuation and methods to measure human assets value. They have found out the companies those have tried to implement human resource accounting and advantages of human resource valuation. They conclude

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that valuing human resources appear to be important to Indian companies; the most companies do not value their human resources and plan to implement valuation of human resources at a very early stage. They also suggest that more searches into valuation methods, models and the practical implication are needed together with the engagement of both human resource and accounting professionals in the debate on valuation and its implementation in practice.

**Sandeep Ojha (2013)**\(^{71}\) has analysed about prevailing practices of human resource accounting, A case study is conducted on the IT Industries of India, in particular Infosys Technology Ltd., he has collected primary data with a help of questionnaire, collected from different levels of employees such as managers, executives, supervisors, technical staff, clerical and office staff. He concludes with a suggestion to calculate the value of human resource, sum up all the expenses incurred on employee’s salaries, wages and other benefits at the same time, the company should estimate the duration of the time to reap the benefit of the human resource expenses.

**Suresh Sirisetti and H.Mallesu (2013)**\(^{72}\) has made an attempt on “Human Resource Accounting Model in Indian Industries”, they have discussed the different methods or models of human resource accounting. The study concludes that Human resource accounting has provided information about the value of human assets, which helps the top management to take decisions regarding the adequacy of human resources. The concept of human resource accounting is yet to gain momentum in

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India. The HRA itself represents a new way of thinking about people as assets. It has a great potential for future company to understand the value of human forces and the same should be mentioned in the financial statements.

Farzaneh Rahmanizadeh and Mahesh.R (2014) have made an attempt on “Human Resource Accounting: Disclosure of Indian Companies”, they collected the data from the Annual reports of selected for five years (2007-2011). Sixteen companies from Public and sixteen companies from Private were taken up for the study. Out of which only two companies from Public i.e. ONGC and BHEL and two companies from Private Infosys and Reliance Industries Ltd were following HRA and hence four companies were take for the analysis. They used Descriptive statistics and one sample ‘t’ test for the analysis of the study. The study found that the concerned sources that HRA could be used as an effective tool for strategic Human resource management, despite the difficulties associated with HRA, in India, some giant Public sector companies as well as Private sector enterprises of international repute have been continuing their HRA practices.

3.3 SUMMARY

From the reviews it is found that Human Resource Accounting will lead to a better assessment of effectiveness of effort and expected performance, it also provide useful information to the users of financial statements. Some researchers emphasized that, there is a lack of organisational support for the voluntary attachment of HRA, there is no clear cut idea about the reporting standards of

human resource, lack of precision in current measurement practices and sensitivities around what should be reported about HRA. But, it is also understood that the investment on the development of human capital has a direct impact on the bottom line of enterprises and even the output of HRA system can be used to take a variety of decisions in the area of human resource management. Overall it is concluded that the main objective of financial statement has been achieved only through adopting a Human Resource Accounting approach, it will reveal the true and fair view of the financial statements.