ABSTRACT OF THESIS

Chapter 1: HUMAN RESOURCE ACCOUNTING

“Our core corporate assets walk out every evening. It is our duty to make sure that these assets return the next morning, mentally and physically enthusiastic and energetic.”

- N. R. Narayana Murthy, Chairman and Chief Mentor, Infosys Technologies

Opening statement of the Infosys Annual Report, 2007-08

In the 21st century where knowledge and attitude of employees assume greater significance than the physical assets and the accomplishment of these organizations is contingent on the quality of their Human Resource- its knowledge, skills, competence, motivation and accepting the organizational culture. In knowledge driven economies therefore, it is imperative that the humans be recognized as an integral part of total worth of an organization.

The American Accounting Society Committee on Human Resource Accounting (1973) defines it as follows: “Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties.” In simple terms, it is an extension of the accounting principles of matching costs and revenues and of organizing data to communicate relevant information in financial terms.

HRA Models: Lev and Schwartz Model and Flamholtz Model

HRA the Sad Story

Human Resources Accounting was introduced way back in the 1960s, but not many companies in India have adopted it in their organization. There is little agreement concerning the procedure of accounting for human assets. There are proponents and critics of the various approaches like cost and value approaches. Not many evidences are available that portrays the application of Human Resource Accounting in organisation. Hence, the growth and acceptance of HRA is quite less. The implementation of HRA is voluntary and no official body has made it mandatory that HRA should be put into practice.
Revival of Human Resource Accounting
Current amendments in IFRS standards have declared the requirement of implementation of HRA in all the Indian companies by the end of 2015. Human resources have been enthroned as the canopy of all the “assets” that a nation possesses and owns at a given point of time. In order to ensure that these assets are preserved, there is a need of valuing them in correct manner. Thus, HRA would gain impetus.

Chapter 2: REVIEW OF LITERATURE
The aim of the present literature survey is to experience the impact of disclosure of HRA information on management decisions. Management decisions include decision by HR managers. The search resulted into more than 1000 references. Out of these, 200 are referred to in the present review. Two major perspectives will appear in the literature. First, there is a description of the concept, then an analysis of whether any evidence exists regarding the influence on management as a result of an application of the concept.

Human Resource Accounting as a Management Decision Tool
A few early studies in HRA attempted to test the effect of HRA information on decision makers. HRA proponents such as Flamholtz (1985), Sackman et al. (1989), Elliot (1991), Wallman (1996), and Lev (1997) imply that the presence of human resource information on financial statements will influence analysts’ performance assessments of companies and will therefore potentially affect their judgments as to the likelihood that they would recommend that their clients buy a particular security.

Flamholtz (1976) examined the effect of monetary and nonmonetary HRA information on a human resource management decision and results indicated that nonmonetary human resource information affected participant’s decisions.

Two other studies examined whether the presence of human resource information made a difference in investment decisions. Elias (1972) used survey methodology to investigate differences among investment decisions of various accounting users based on the presence or absence of HRA information. The results of his study indicated that human resource data would make a difference in the investment decision.
Gaps in Literature

1. Lack of awareness
2. Lack of knowledge about the utility of the HRA information in HR decisions
3. Organizational Profitability
4. Impact of HRA on Employee Motivation

Chapter 3: RESEARCH METHODOLOGY

Primary Objectives:

1. To make an overall analysis of HRA practices in IT Sector in India
2. To find the impact of HRA in Strategic decision making
3. To find the link between HRA and HR practices
4. To find the impact of HRA on Motivation level of employees
5. To prove the role of HRA practices in profitability of the organization

HYPOTHESES OF RESEARCH

H₁: HRA positively influences decision making with respect to Human Resource Planning
H₂: HRA positively influences decision making with respect to Performance Management System
H₃: HRA positively influences decision making with respect to Training and Development
H₄: HRA positively influences decision making with respect to Compensation Management
H₅: HRA positively impacts the decisions related to Strategic HRM
H₆: Human Resource Accounting positively influences Motivation Level of Employees
H₇: HRA positively influences Profitability of the Organisation

Research Design

The research design is based on “The Research Onion”, by Mark Saunders, Philip Lewis and Adrian Thornhill (2006).

Interpretivism Research Philosophy is applicable in this Research. It follows Inductive Approach. Survey research strategy was used to test the hypothesis. The tools and techniques used for collecting data are observation, interview and questionnaire.

Sample Size: 45 managers and 46 employees
Chapter 4: DATA ANALYSIS

HYPOTHESES TEST RESULTS

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypothesis</th>
<th>Statistical Test</th>
<th>Hypothesis Acceptance Status</th>
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</thead>
<tbody>
<tr>
<td>H1</td>
<td>HRA positively influences decision making with respect to Human Resource Planning</td>
<td>Sign Binomial Test, Standard Binary Logistic Regression, Multinomial Logistic Regression</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>HRA positively influences decision making with respect to Performance Management System</td>
<td>Friedman Chi Square Test</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>HRA positively influences decision making with respect to Training and Development</td>
<td>Sign Binomial Test, Standard Binary Logistic Regression</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>HRA positively influences decision making with respect to Compensation Management</td>
<td>Sign Binomial Test, Friedman Chi Square Test</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5</td>
<td>HRA positively impacts the decisions related to Strategic HRM</td>
<td>Sign Binomial Test, Friedman Chi Square Test</td>
<td>Accepted</td>
</tr>
<tr>
<td>H6</td>
<td>HRA positively influences Profitability of the Organization</td>
<td>Sign Binomial Test, Friedman Chi Square Test</td>
<td>Accepted</td>
</tr>
<tr>
<td>H7</td>
<td>Human Resource Accounting positively influences Motivation Level of Employees</td>
<td>Sign Binomial Test</td>
<td>Accepted</td>
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Chapter 5: FINDINGS AND CONCLUSION

i. HRA information proved helpful in taking decisions pertaining to framing recruitment budget, selecting a suitable candidate for job, choosing the appropriate attrition control proposal.

ii. HRA information helps in better performance decisions and compare employees of different designations and across different departments.

iii. It helps to select a correct training program for employees and get ROI of each program.

iv. HRA information helps HR managers to decide the salary of an individual during the interview and during the promotion.

v. It helps to predict the organizational performance and enables to save cost otherwise invested in incorrect decisions.

vi. Implementation of HRA in the organization motivates the employees to perform better.
Chapter 6: RECOMMENDATIONS

i) HR managers should be given detailed view of all the direct and indirect costs required for making recruitment budget.

ii) An application blank can be designed differently to get additional information about the candidate such as probability of a person leaving the organization, his expected contribution towards the organization during his probable tenure and opportunity cost an organization has to incur if that candidate leaves the organization and need to be replaced by another candidate.

iii) Exact contribution of employees towards the organization should be considered in deciding salary of employee at the time of promotion.

iv) HRA Based Performance Management System should be implemented in the organization.

v) HRA information should be given to HR managers while taking decisions related to Training and Development.

vi) Transition matrix should be shown to HR managers to analyze ROI of training program and to employees in order to motivate them to attend those trainings.

vii) Employees’ value should be communicated to them, in a written format at the very outset of their association with the organization.

viii) Every Organization should implement human resource accounting practices.

<table>
<thead>
<tr>
<th>RESEARCH GAP</th>
<th>OBJECTIVES</th>
<th>METHODOLOGY</th>
<th>RESULTS</th>
<th>RECOMMENDATIONS</th>
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<tbody>
<tr>
<td>Unawareness of HRA</td>
<td>To make an overall analysis of HRA practices in IT sector in India</td>
<td>Analysis of Secondary Source to know the companies which have implemented HRA and the model used</td>
<td>4 IT Companies have implemented HRA practices. Mainly Lev and Schwartz or Flamholtz model is used</td>
<td>Every organization should implement HRA practice</td>
</tr>
<tr>
<td>No reference of use of HRA on Strategic Decisions</td>
<td>To find the impact of HRA on Strategic Decision Making</td>
<td>A hypothesis to find impact of HRA on Strategic HR functions was framed, and it was analyzed through Questionnaire administered on HR managers</td>
<td>HRA information has positive impact on Strategic HR decisions</td>
<td>HRA information used be used at strategic level for decision making</td>
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<td>Lack of knowledge about the Utility of the HRA information</td>
<td>To find the impact of HRA on HR Decision Making</td>
<td>Four hypotheses were framed to check the impact of HRA on major HR functions i.e. HRP, PMS, T&amp;D and Compensation. It is analyzed through Questionnaire administered on HR managers</td>
<td>HRA information has positive impact on HR decisions related to HRP, PMS, T&amp;D and Compensation</td>
<td>HRA information should be given to HR managers for decisions making</td>
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<td>No reference of use of HRA on Profitability Decisions</td>
<td>To prove the role of HRA practices in profitability of the organization</td>
<td>Cost Cutting initiative related questions were asked to HR managers and impact of correct decisions was analyzed through questionnaire method</td>
<td>HRA information has positive impact on Profitability of the Organization</td>
<td>HRA information should be used to save cost and avoid incorrect decision making</td>
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<td>No literature was available on impact of HRA on employees</td>
<td>To find the impact of HRA on motivation level of employees</td>
<td>A hypothesis to find impact of HRA on Motivation level of Employees was framed, and it was analyzed through Questionnaire administered on IT employees</td>
<td>HRA practices motivates employees</td>
<td>HRA value should be communicated to the employees</td>
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**Key Contributions of Research**

The following were the outcomes of the research:

1. The study confirms the positive impact of HRA on various functions of HR department such as Human Resource Planning, Performance Management System, Compensation Management and Training & Development.
2. It confirms that HRA has positive impact on Strategic Decisions of the organization.
3. It proved that HRA and organizational profitability are positively related.
4. The study further confirmed HRA implantation leads to employee motivation.

**Chapter 7: BIBLIOGRAPHY**

First 20 research papers are written in form of annotated bibliography. The further research papers are presented in Harvard style. Papers are arranged in ascending order of author’s name.