

IMPORTANCE OF HRA FOR INDIAN ORGANIZATIONS: AN ANALYSIS

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Abstract: Human Resource Accounting (HRA) is becoming ubiquitous word in the modern accounting world. Every organization is now paying attention towards the HRA. Now a day it is difficult to identify effective, skilled and knowledge and highly motivated people. Consideration of these employees in accounting is also became important with respect of universal accounting. Online business transactions and globalization adoption of HRA is became mandatory for effective results, growth which leads to attracts the investors. In Indian now many of the companies are moving towards the incorporation of this HRA. In this paper focused on the list of companies in India which are already incorporated HRA and shown their performance analysis after adoption of HRA. But in India still many of the organizations are still not considering the HRA. Based on the analysis made on HRA in this paper some important points are suggested a model for the organizations to incorporate the HRA. The analysis shows that the consideration of the HRA is most significant to human resource methods and valuations to measure the value of human assets.

Keywords: HRA, Skilled Human Resource, Human Asset, Human Resource Methods

INTRODUCTION:

The effective employees [1] must be the key asset for any organization for their growth and development. Among all resources available for the organization like men, material, machines and money HRA is also important for the development of organizations. The wealth of the organization is measured by the skilled people, motivated, communicated human behavior and good decision making. The ultimate successes of an organization the physical resource is utilized by the skilled human resources.

Human resource accounting [2] is essentially becoming an information provider that will help the management for

taking the right decision at right time. It helps the organization to transformation toward better business. Financial statements are generally recorded as the accounting books as per the principles of general accosting. But HRA is not considered even many research results are proven the valid models for accounting based on the performance.

HRA includes measuring, recognition and communication of useful information particular to organization. Thus, the significance of HRA should not be ignored. It has a grate scope to pay attention on correct development of important resource of any organization. In

order to audit the HRA the following points are to be considered like number of staff, location, experience, education/academic qualifications, salary, incentives, bonus, and training.

Many studies suggested that the consideration of the HRA in every fields and incorporating will increase in the ROI (Return on investment). It's a myth that improved ROI is based on the right decision, estimation, time and execution, but in this globalization many platforms are readily available for forecasting and computing but less importance is given for the HRA. The effective plan, machines for computing will not possible by a skilled employee.

OBJECTIVES OF HRA:

1. To Helps the manager, organization and investors in making decisions
2. To implement the human resource accounting participation
3. To practice HRA with identifying organizational challenges
4. To value the HRA in different levels of organizational structure

The study is made in this paper based on the available data in the internet news, blogs, and some books. The rest of this paper second section deals with literature survey and third section data analysis and fourth section importance, recommendation of HRM for the firms, finally conclusion.

LITERATURE SURVEY

Financial accounting [3] was devised by Renis Likert (1967) and by other researchers. The primary benefit of the

HRA to accommodate the proficient and real management of human resources. But it has its own challenges which are not acceptable by the world. Also, it is difficult to measure the skills and capabilities of human that assuming HRA is asset for the organization.

The financial benefit of an organization is can be improved effectively by of human resources. Batra (1996) They calculated the HRA and auditing method in selected public organization CCI, SAIL and BHEL in the period of 1991-92. The primary and secondary data were collected for this purpose [4].

HR polices [5] and practices in the hospital of Kenya proved the performance of the hospital industry by incorporation of HRA. Also, it was announced that the there is a scope to improve a clear and perfect alignment between the entire business structure and human resource functions.

DATA PRESENTAION AND ANALYSIS

HRA participating in India :

There is no Scope of HRA in financial accounting according to Indian companies act 1956, but the contribution HRA is more for any organization but unfortunately it has not given more importance in India. But with IFRS (Indian Financial Report Standards) recommendation and globalization there are some companies now considering the HRA and shown the best results. The following table shows the companies which are adopted the HRA in their financial accounting with the recommendations of IFRS.

Table 1: HRA methods followed by different companies in India

HRA method used	Name of the Company
Flamholtz, Jaggi and Lau	ACC India Private Ltd
	Cement Corporation of India
	Engineers India
	MRF India
	PEC Limited
Lev and Schwartz model (1971)	Central Forensic Science Laboratory
	<i>GTL Infra Telecom Tower Company</i>
	Hindustan Petroleum
	Indian Drugs and Pharmaceuticals Ltd.
	Hitachi Zosen India Private Limited
	INFOSYS
	KRI HD Manufactures
	MECON
	MMTC
	NTPC
	Southern Petrochemical Industries Corporation

It is observed that there are 27 companies in India public and private sector companies are adopted HRA and shown improved results as their financial statements also the HRA methods are different to each company.

IMPORTANCE OF HRA

HRA provides the beneficial information for the manager, analysts and as shown below

- Without any additional physical investment of a company HRA can be easily adopted and utilized for best results
- It helps to measure the employee's strengths and weakness
- Helpful for the organization for long period investment
- In view of employee also it helpful for their improvements towards better growth in any organization
- Optimal results will be done in utilization of employees in required locations
- Helps the organization to identify where knowledge upgradation/ training is required to improve the employee organization fit

PROPOSED MODEL FOR ADOPTION OF HRA

Adoption of HRA in developing country like India, it is very difficult for any small or big size organizations. But as the world moving towards the universal accounting it became highly recommended for every organization. Bookkeeping and recording is easy with the Indian standard accounting but there are many challenges with the respect HRA. The following are few

challenges for those who are not ready to adopt the HRA.

1. Conflicts within employees
2. Bad organizational structure
3. Many organizations don't want to disturb their accounting style
4. Issues in Salary Increments

5. Many organizations don't want to become dependent on any employee.

Still there are some more challenges which are not covered in this paper. A brief outer line is discussed above.

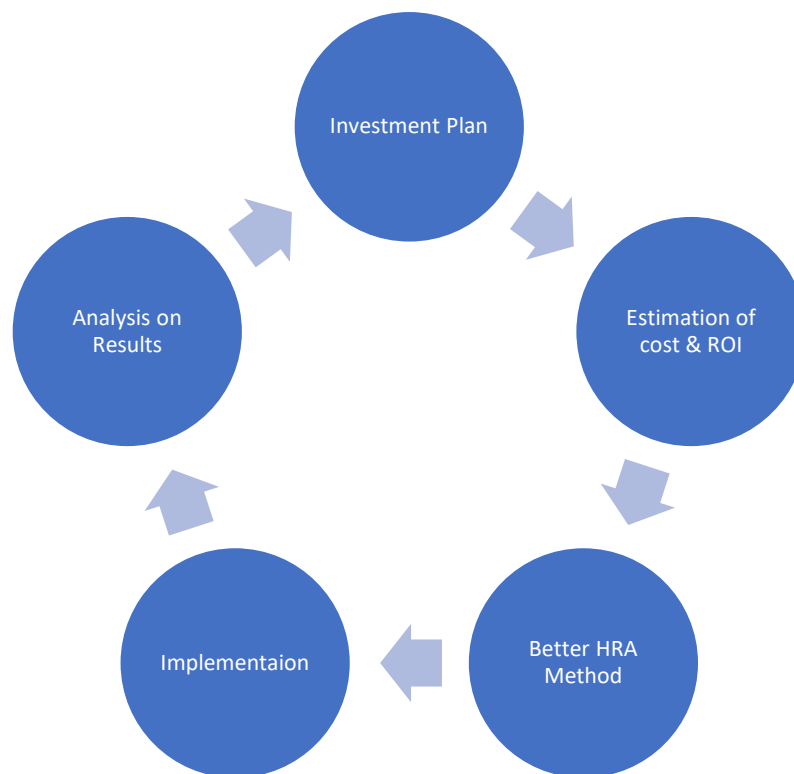


Figure 1: HRA Implementation Model

Figure 1 shows the proposed model for adoption of HRA for any organization which are interested or willing to adopt the HRA. Generally, any organization in order to implement any kind of incorporation first they focus on the investment plan, based on this the company will move forward to implement any insertion. As shown in the figure 1 in the first step investment plan is need to be prepared by particular company.

After that the estimation of the cost is to be determined. Coming to HRA the cost of estimation may be low but adoption of this will help the organization in proper way of

utilization of human resources and employee's strength. So, the estimation cost of very less when compared with the other investment plans.

Return on Investment (ROI) is the important part of calculation for small and big scale of companies. Based on the ROI any organization will interested to implement any kind of plan. Particularly for the HRA. The results may not come in short time period like other investment plans. HRA is the kind of consideration which will give long time benefit to the organization. There are some organizations which are failed in managing of human

resource due to improper appointment of the employees in ad hoc manner. Decisions taken for that particular work or portion of work or limited services or temporary appointments will not help the improvement of the organization in long run. So, it is recommended that training and shining of the present employees and incorporation HRA from the current year will best drawbacks of employees and growth of the organization.

In the next step after ROI the company must see the different methods available for calculating of HRA. In above section various companies and method of HRA is shown in the table 1. As per the news items there are 26 companies are considering the HRA for past 3 years and 43 companies are moving forward to consider the HRA in year 2019-2020. Following the method of HRA calculation is independent to any organization. But they take random consideration it recommended to go through all the available with respect to IFRS standards.

Implementation is the key part for any organization with respect to HRA it is recommended to implement the human resource plan and categorization of employees in gentle manner. If it does not go in the un-structured, injustice, and technical manner which leads to more conflicts between employee and as well as impact on the good will of the organization. So in this step the manager should be taken care while categorize the employees. It also recommended to form a committee and take the decision according. The committee should also prepare some standards and formats considering the education, skills, technical background,

and experience in the relevant field before they go for implementation.

Any commitment made by any organization is depends on the analysis of particular work.

Analysis on results are the final stage of making decision for any organization. After implementing the HRA in an organization and year wise financial reports based on the reports any adjustments, alternatives, or change in HRA calculation method can be applied for the next year to improve the growth of the organization and holding the importance of the HRA. As many other organization results are shown that the consideration of the HRA proven the best results.

CONCLUSION

The term universal accounting is now accepting by all developing countries. As a part of this HRA is the important part of consideration, because the machines are replaced and work with the same effectiveness but human replacement may not give the same results. In this paper focused on the list companies in India who got the good financial results and methods of HRA used are discussed and also the importance of HRA is shown. After that for implementing HRA for any new organization a HRA implementational model is proposed. At present there are 27 companies are using the HRA and getting good results and there are some other companies are in consideration of HRA in next financial years. The proposed implementation model of HRA is can be

easily adopted for any size of business organizations.

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