

Make in India Campaign: A Role and Impact of Human Resource Valuation

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Abstract

Make in INDIA project launched by Prime Minister Narendra Modi on September 25th 2014. Which is a new national program shaped to facilitate investment (domestic and foreign) in INDIA for foster investment and innovation and to build a strong and skilled human resource. Rapidly extending global competition has provided the manufactures from around the world the opportunities of low cost labor, row material, high profit making market. Over focused on the employment generations, growing trade and increasing economic growth and sustain the overall development of INDIA and its citizen told by "Mr. Narendra Damodardas Modi". In order to make INDIA a manufacturing hub its human resource will play a major role. Manpower is an essential element for growing the manufacturer company. Human resource element never to be ignored to build the country's economic growth, this one is most required organ of a business demand careful capitalization and continuous innovations. This paper discussed about the impact of of human recourse valuation for make in INDIA campaign. The make in India campaign will bring in globalization which in turn will create tremendous opportunities. Prime Modi says that INDIA will become worlds HR capital by 2022.

Keywords: Human resource (HR), Make in INDIA, Globalization, Manufacturing hub.

Introduction

Human resource is the most important element in the organization. Any country in order to become a developed country relies on the industrial base i.e. a country becomes a developed country when its industrial bade is strong. INDIA wants to lure the investors and turn itself into a manufacturing hub, its human resource will play a vital part in making it's this dream come true. Human resource is the most abundant, flexible leveraged resources which demand precise attention and articulation. Make in INDIA program lays emphasis on 25 sectors of business from some of such as textiles, ports, aviation, automobiles, chemicals, Information Technology, leather, tourism and hospitality, railway, energy, mining, bio-technology etc. Domestic manufacturers are also looking for foreign markets to setup their manufacturing units outside the INDIA. Reasons are many for such an attitude of domestic industrial houses. Fewer subsidies, over interference of government, less available of financial services tec. Are a few to mention among the reasons why the attention of industrial houses is towards other countries when it comes to setting up an industry? Human resource is very important, effective and crucial factor of production. It is a widely recognize fact that success of any organization greatly depends upon the efficiency, quality and experience of the people wording in it . In recent

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time organization having a lot of physical resources with newest technology but suffer with financial difficulty if they have not proper person to manage. Human resource accounting is a modern concept of accounting. However the recognition of human in organization as productive resource by the accountant in a recent origin. Human resource accounting is a particular process of identifying, measuring data about human resources and communicating this information to related parties. The main benefit of such type of accounting are that it develop effective managerial decision making quality of management, stop mismanagement of human resources, increase productivity of human assets, improves morale of manpower, job satisfaction, performance appraisal, motivation, creativity and ability, etc.

Definition:-

According to American Accounting Association Committee on HRA - "Human Resource Accounting is the process of identifying and measuring data about human resource and communicating this information to interested parties."

According to Stephen Khauf -"The measurement and quantification of human organizational inputs, such as recruiting training, experience and commitment."

Human resource accounting emphasizes that human resource should be treated as assets like physical and financial assets because the quality and talent of the people working in an organization are the real asstes for a concern. HRA is mainly concerned with:

- Identification of data related to human resources of a concern.
- Valuation of the data in terms of cost and value.
- Communicating human resource information to the interested parties.

HRA, the study of human resource of an organization has not received the proper attention it deserves. It is unfortunate that though a lot of work has been done in this field there is no method that is generally accepted either for valuation of human resources not for the discloser information by means of different statements. Despite these problems, there are some originations that are making valuation of their human resources.

Review of Literature:-

The main credit goes to Paton (1962) for measuring the value of human resources as an asset. When he state, "in a business a well-organized and loyal personnel may be a more important asset than a stock of merchandise". The fact regarding these: however, that it was presented by likert (1967). Likert and Flamhottz in 1973 had developed the replacement cost approach. Hekimian and Jones (1967) gives an opportunity cost approach based on the principle that human assts will be valued while it is scarce. Present value model to quantity the value of human capital of a company was presented by Hermanson (1964). Flamoholtz (1971) developed stochastic Reawards Valuation model and determined the value of human assets by aggregating the present value of expected future

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services of employees. Jaggi and Lau (1974) model considers groups for valuation rather than individuals. Stephen Knauf states that HRA is the measurement and quantification of human organizational inputs like recruiting, selecting, hiring, training, experience and communication. The experts in the field of HRA were Shultz (1960), William Pyle (1967), Flam Holtz (1973), Kenneth Sinclare (1978) and Dr. Roa (1983), etc who contributed appropriate methodology and correct methods for finding out the value of the employee to the organization. The four factors of production man, money, material and land, the last three of them are amenable to conventional accounting, but the first one. The human resource has not been subject to such accounting (Carme. Barcons et. Al 1995).

However, the potential usefulness of HRA information would seem to be even greater for the external decision-makers than for the company's management (Jan Bratton, 2003). Prior researches (see Kodwani & Tiwari, 2007; Roslender, 2004; Ramakanta & Khatik, 2003; Lev, 2001; Rao, 1993) were conducted towards finding solutions to these problems but the concept still remains unapplied by many organizations around the globe. Sarah Gilmore and Steve Williams (2012) "Human Resources Management" – Considered the nature of the business environment highlighting among other things some of the key economic, social, and political influences that influence HRM in organization. Some of the companies that applied human resources accounting recently in one way or the other include the R.G. Barry Corporation, BHEL, Infosys and Reliance industries in India (Jasrotia, 2004; Ramakanta, & Khatik, 2003; Rao, 1993; Gupta, 1991) and other companies in the United States, Canada and Australia. The wide increase in service companies globally where personnel knowledge, skills, expertise and experience are the key to their success make the human resource accounting a necessity. Employees are the most valuable resources of comparison in the company, the employees possess value because of sectors. Like all other resources in the company, the employees possess value because of providing future services" (Samarat Gupta, MIS Manager, DSQ Software Ltd). Human resources accounting is an attempt to identify and report investment made in resources of the organization that are not presently accounted for under conventional accounting practices in most of the organizations.

Objectives of The Study

The present study titled, "Human Resource Accounting: A Comparative Study of Selected Petroleum Companies in India" is being taken with the objective analyzing and evaluating the impact of major tools on human assets. This study will be helpful in evaluating the actual concept of human resource accounting communication and analyzing the opportunities and challenges in applying various tools of human assets.

The study will be undertaken keeping in view the following objectives:-

- To evaluate the present scenario of HRA in petroleum companies.
- To understand the terms of HRA.
- To find out the impact of HRA.

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- To analyze the HRA used by the petroleum companies.
- To suggest the measures to make HRA more effective.
- To determine how petroleum companies associated with HRA.

Limitations of The Study

- The research will be restricted only study on selected petroleum companies for the purpose of HRA.
- Chances of respondent's biasness are there as financial reports.
- Biasness of the financial statements may also affect the results of the study.

The Need for Human Resource Accounting

It will be seen that the inability of an organization to accurately account for its human resources has more effect than simply its publishing of an incomplete statement of its assets and liabilities. The absence of human resource accounting affects the manner in which managers regard their human resources and influences the nature of organization climate. The human asset accounting will represent out of the following two major innovations in accounting.

Research Methodology

The methodology of conducting research takes a prominent place in any research effort. It is the process of carrying out systematic in depth study about a specific topic. Research methodology concludes methods of investigation, data collection, classification and presentation of data and analysis and interpretation of data.

Data Collections:

1. Primary sources of data collection for analysis will be the through published annual reports, annual accounts, administrative reports etc.
2. Secondary source of data collection will be journal magazines & newspaper, internet and collection of data to the extent possible from the concerned company.

Role and Impact of Human Resource Valuation

Particularly with liberalization of the Indian economy and its gradual integration with the world economy, India as a developing nation, has realized the importance of its human resources. Perhaps due to the abundant manpower available and relatively low cost, this area of accounting was overlooked earlier. But now the importance of human element in an organization has been realized and Indian companies are now considering human resource factor just like another factor to production. Indian organizational and Human Resource Dynamics are different from that of other part of the globe. The government report shows that approximately 73 per cent of national income is utilized to compensate employees. In addition to wages and salaries, organizations often make other sizable investments in their human resources. India like the rest of the country has not given much

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consideration to issues related to human resource accounting. In India this concept is struggling for acceptance and has not been introduced so far as a system. It is a universally accepted fact that the progress of any organization is absolutely dependent on the skillful utilization of its human resources. Even in the modern world an organization may own adequate financial resources and acquire physical resources with latest technology as it needs, it would find it difficult to manage its affairs, if the human organization of the concern is not strong enough. However, the strange irony is that in India most of the organizations do not recognize it properly. They do not adopt human resource accounting (HRA) although it could contribute significantly both to internal and external management decisions.

HRA also helps the people of the organization in improving their performance and bargaining capacity. Particularly with liberalization of the Indian economy and its gradual integration with the world economy, India as a developing nation, has realized the importance of its human resources. Perhaps due to the abundant manpower available and relatively low cost, this area of accounting was overlooked earlier. But now the importance of human element in an organization has been realized and Indian companies are now considering human resource factor just like another factor to production.

Human resource valuation shows many impact on Companies growth and future advancement out of some are discussed under :-

- **Impact on Cost planning** – “Human resource cost accounting provides cost information required in human resource planning process thereby facilitating preparation of future forecasts and budget (Booth 1998).”
- **Impact on decision making** - Human resource accounting provides data in areas where alternative option exist for example whether to appoint a new trained employee or develop one from within the organization, or whether to retrench or retain an employee. Instead of evaluating an employee on non-monetary measures, the monetary value of employee will be better criteria for selection and optimization of the expected value of the human resource in the organization and thereafter evaluation of adequacy of return on investment in human resource.
- **Impact on capital budgeting** - Presently capital budgeting decision consider the human dimension as a qualitative factor but this is not realistic in the present scenario where huge investment is being made in training and development of human resource. Therefore human resource accounting system is more justified to assess the impact of capital budgeting on human resource and non-human asset.
- **Impact on controlling** - Human resource accounting help to ensure that human resource objective is achieved without bias and efficiently. Human Resource Accounting provides necessary information to implement the control function. The standard cost of acquiring human resource and development is compared with actual cost incurred and the difference exists (if any) is analyzed to discover the possible lapses in personnel management function (Scarpello and Theeke, 1989).

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- **Impact on performance evaluation** - The present practice of measurement of return on investment ignores the changes in human resources. Inclusion of human resource input would be a good performance measure as it would reveal the return on investment on human asset.
- **Impact on activity analysis** - measurement of human resource value provide top management with new set of financial data for efficient organization activities analysis like ratio of human and non-human resources which indicate the labor intensity. Higher labor intensity mean used of outdated technology requiring the utilization of high proportion of labor or employment of unnecessary existing labor (Tang, 2005).
- **Impact on acquiring human resource** -Human resource accounting imparts information for preparation of budget for cost related to recruiting, hiring and selecting human resources. Moreover in selection process personnel people needs data about economic value of a candidate in order to select that person who has the highest economic value.
- **Impact on allocation of human resource** - human resource accounting imparts quantitative information about human resource. HRA give monetary value of human resource of its organization for its skills, competence and other attributes, this helps management in giving perfect allocation and organization of human resources where employees are assigned jobs perfectly suiting to their own abilities and also helping organization in fully utilizing its employees’ skills and capabilities.
- **Impact on training of human resource** – Human resource accounting treats expenses on human resources as investment with expected returns. This expected return is evaluated on rational basis. Earlier organizations invest heavily on human resource without evaluating expected payoff of return.



Figure 1: Human Resource Strategies in a Global Competitive Environment

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Conclusion

There is a need of reform industrial strategies to make INDIA a manufacturing hub favorable human resource framework need to be established that should attract more and more domestic as well as foreign companies towards Indian boundaries. This campaign has shown serious remarkable developments from last two years. Each sector be it textiles, ports, aviation, automobiles, chemicals, Information Technology, leather, tourism and hospitality, railway, energy, mining, bio-technology etc. has its own success story to tell. The employment opportunities have increased huge as a more and companies are in India directly and indirectly. The youth human resource of country has been benefited the most as they now have lot of job opportunities.

This paper has discussed the main advantages of Human resource accountability for industries. There are many useful impact to associated the Human Resource Valuation for industries out of them some useful impact are for cost valuation, decision making, control human resources, activity analysis, proper allocation of human resource etc. A make in INDIA approach provides a good conceptual framework for understanding how the potential of human resource valuation for managed to help organizations remain competitive in a globalizing market.

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