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

Dr. S.C. Bardia*
Anand Matolia**

Abstract

Make in India project launched by Prime Minister Narendra Modi on September 25th 2014, which is a 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 labour, raw material, high profit making market. Over focused on the employment generations, growing trade and increasing economic growth and sustain the overall development. In order to make India a manufacturing hub its human resource will play an important role. Human resource element never to be ignored to build the country’s economic growth, this one is most desired organ of a business demand careful capitalisation and continuous innovations. This study discussed about the impact of human resource valuation for make in India campaign. The make in India campaign will bring in globalisation which in turn will create tremendous opportunities.

Keywords: Human resource, Globalisation, Manufacturing hub.

Human resource is the most important element in the organisation. Any country in order to become a developed country relies on the industrial base i.e. a nation becomes a developed nation when its industrial bade is strong. India wants to lure the investors and turn itself into a manufacturing hub, its human resource will provide a significant contribution 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

* Professor, Department of A.B.S.T. University of Rajasthan, Jaipur
** Research Scholar, Department of A.B.S.T., University of Rajasthan, Jaipur
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 India. Reasons are many for such an attitude of domestic industrial houses. Fewer subsidies over interference of government, less available of financial services etc. Human resource is important, effective and crucial factor of production. It is a widely recognise fact that success of any organisation greatly depends upon the efficiency, quality and experience of the people wording in it. In recent time organisation 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. Through, the recognition of human in organisation as productive resource by the accountant in a recent origin. Human resource accounting (HRA) 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, "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 organisational 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 organisation are the real assets 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 and
- Communicating human resource information to the interested parties.

HRA, the study of human resource of an organisation 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 disclose information by means of different statements. Despite these problems, there are some organisations 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 organised and loyal personnel may be a more important asset than a stock of merchandise”. Hekimian and Jones (1967) give an opportunity cost approach based on the principle that human assets 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 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 organisational 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 organisation. The four factors of production man, money, material and land, the last three of them are amendable 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). 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. As, 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 organisation that are not presently accounted for under conventional accounting practices in most of the organisations.

**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 analysing and evaluating the impact of major tools on human assets. This study is helpful in evaluating the actual concept of human resource accounting communication and analysed 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.
To analyse 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.

Need for Human Resource Accounting
It will be seen that the inability of an organisation 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 organisation climate.

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
Data was collected through various resources like annual reports, annual accounts from the concerned company, administrative reports, journals, magazines etc.

Role and Impact of Human Resources Valuation
Particularly with liberalisation of the Indian economy and its gradual integration with the world economy, India as a developing nation, has realised 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 significance of human element in an organisation has been realised and Indian companies are now considering human resource factor just like another factors of production. Indian organisational and human resource dynamics are different from other part of globe. The government report shows that approximately 73 per cent of national income is utilised to compensate employees. In addition to wages and salaries, organisations often make other sizable investments in their human resources. India like the rest of the country has not given much 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 universally accepted fact that the progress of any organisation is absolutely dependent on the skilful utilisation of its human resources. Even in the modern world an organisation 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 human element of the concern is not strong enough. In India, many organisations are not giving weightage to their employees. They do not adopt HRA although it could contribute majorly both to internal and external management decisions.

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

Human resource valuation has impact on Companies growth and future advancement. Some of them are as under:-
• Impact on cost planning - “Human resource cost acting 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, or whether to retain an employee. Instead of evaluating an employee on non-monetary measures, the monetary value of employee will be better criteria for selection and optimisation of the expected value of human resource in an organisation 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. So, HRA 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 is analysed to discover the possible lapses in personnel management function (Scarpello and Theeke, 1989).

• 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 organisation activities analysis like ratio of human and non-human
resources which indicate the labour intensity. Higher labour intensity mean use of outdated technology requiring the utilisation of high proportion of labour or employment of unnecessary existing labour (Tang, 2005).

- Impact on acquiring human resource - HRA 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 - HRA imparts quantitative information about human resource. HRA give monetary value of human resource of its organisation for its skills, competence and other attributes, this helps management in giving perfect allocation and organisation of human resources where employees are assigned jobs perfectly suiting to their own abilities and also helping organisation in fully utilising 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 organisations invest heavily on human resource without evaluating expected payoff of return.

**Figure 1: Human Resource Strategies in a Global Competitive Environment**

<table>
<thead>
<tr>
<th>External Influences</th>
<th>Globalisation</th>
<th>Market Competition</th>
<th>Regulatory Environment</th>
<th>Interorganisational linkages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive factors</td>
<td>Shareholder Value</td>
<td>Revenue Enhancement</td>
<td>Cost Reduction</td>
<td>Productivity Increases</td>
</tr>
<tr>
<td>HR Strategies</td>
<td>Outsourcing</td>
<td>Deskilling</td>
<td>Downsizing</td>
<td>Flexibility</td>
</tr>
</tbody>
</table>

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

There is a need of reform industrial strategies to make India a manufacturing hub favourable human resource framework required 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 more and more companies are in India directly and indirectly. The youth 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 significant aspects associated to the Human Resource Valuation for industries like cost valuation, decision making, control human resources, activity analysis, proper allocation of human resource etc. are very important.

References


