

Impact of Human Resource Accounting Practices on Decision Making in the Organization – Evidence from a Private Company in Kurdistan Region of Iraq

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ABSTRACT: *The current study aimed at understanding the impact of Human Resource Accounting practices on decision making in an organization. The research was conducted on a private company in Kurdistan. Researchers constructed a model where predictor variable is Human Resource Accounting Practices and Predicted variable is Decision making.*

The Research has null hypothesis and alternative hypothesis where the null hypothesis was "There is no significant relationship between Human Resource Accounting Practices and Decision Making". The alternative hypothesis was "There is significant relationship between Human Resource Accounting Practices and Decision Making".

The sample size for the current research was 107 where researcher distributed 120 questionnaires where 13 questionnaires were not filled properly. Researchers used quantitative method to analyze the results of the current research. The questionnaire consists of 20 questions which were organized randomly to avoid bias based responses from the respondents.

Researchers concluded that HRA has a strong positive effect on decision making where alternative hypothesis was accepted and null hypothesis got rejected. The sample size was low as the researcher conducted pilot study on this area and may get different results by increasing the sample size and demographics. The present research helps the organization to understand the importance of Human Resource Accounting and the effect of HRA on decision making.

Key Words: *Human Resource Accounting practices, Decision making and private companies.*

I. INTRODUCTION:

Human Resource Management and Labor were the issues in the history which needed attention where Human Resource Accounting proposed a tool to improve management of human resources and their measurement.

Human Resource Accounting can exemplify improvements in Human Resource Management which will improve profits for the organization where managers may integrate implications of human capital in the process of decision making to higher level.

(Flamholtz, Bullen, & Hua, 2002)

The research made (Hossain, Akhter, & Sadia, 2014), revealed that the amount of investments made on human resources generally by corporates and the effect of investments justify on the productivity scale of humans rationalize their treatment where humans were treated as assets instead of expenses. Contradictions made against the concept of Human Resource Accounting and its application are the topics which can be solved consequentially. The capabilities of decision making will be enhanced when the corporates quantify their human resources and report them as assets in their balance sheets where various users of annual reports will be provided with adequate information which is qualitative and quantitative in nature.

The research made by (Bullen, 2007) revealed that Human resource Accounting plays important role in decision making where internal managers take decision within an organization. The researcher strongly believed that quantifying Human Resource Accounting can be utilized in showing the investments of the organizations towards human resources which may yield profits in the long-run. Researcher emphasized on the process of quantifying human resources by the managers in an organization where the focus of managers will be concentrated towards humans. Managers may treat human resources as valuable resources for the organization.

The present research was conducted on the employees of telecommunication organization which is private in the region of Kurdistan. The need of the study is to identify the impact of Human Resource Accounting practices on decision making process of the organization.

II. LITERATURE REVIEW:

According to (Flamholtz, Bullen, & Hua, 2002), quantifying human resources estimates a realizable value through Human Resource Accounting and concluded that participation of employees in program which is aimed to develop the employees enhanced individuals' value to the organization. Researchers observed that measurements of Human Resource

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Accounting furnish substitute accounting system to higher level management in measuring the cost and value of individuals within an organization.

Research made by (Davidove & Schroeder, 1992), accepted that more business leaders do not accept definition or procedures related to accounting to track investments on training and observed that investments at lower level on the training does not yield good return-on-investment on the whole. The researchers proposed based on the observations made on the valuations of many return - on – investments, organizational leaders may still perceive training as overhead expense, but business could be persuaded as treating the investments made on training of employees as assets will be important for success of an organization.

According to (Akindehinde, Enyi, & Olutokunbo, 2015), Human Resource Accounting has significant effect on organizational performance where their research was justified by findings empirically and concluded that the present practices of accounting related to expensing all expenditure on human assets does not depict fair and true picture in Balance Sheet of an organization. It may lead to understating of profit for the organization which has eventually negative impact on “Earnings per Share”, finds of shareholders, return of assets and market value.

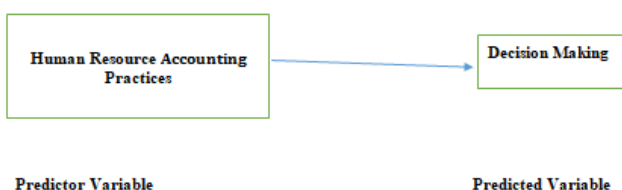
The research made (Enyi & Akindehinde, 2014) concluded based on their statistical analysis that human assets have significantly impact decisions of the management which was supported by many other previous researches based on their empirical findings and related literature. Previous researches on this issue considered employees as valuable assets which are critical for the survival of an organization in the economic environment which is competitive in nature. The need arises for valuing human assets and must be capitalized as other assets which are intangible in nature like goodwill which will be depicted in the “Balance Sheet or Statement of Financial Position” of the organizations.

III. RESEARCH METHODOLOGY:

The sample size for the current research was 107 where researcher distributed 120 questionnaire where 13 questionnaires were not filled properly. Researcher used quantitative method to analyze the results of the current research.

The questionnaire consists of 20 questions which were organized randomly to avoid bias based responses from the respondents. The questionnaire was adopted from (Sunil & Praveen, 2015). The analysis was made by using SPSS V.23 (Statistical Package for Social Sciences, V. 23).

IV. RESEARCH MODEL



HYPOTHESIS;

H₀: There is no significant relationship between Human resource accounting practices and decision making. S

H₁: There is significant relationship between Human resource accounting practices and decision making.

ANALYSIS:

Demographic Analysis:

Gender			
		Frequency	Percent
Valid	Male	32	29.9
	Female	75	70.1
	Total	107	100.0
Age			
		Frequency	Percent
Valid	20-30 year	20	18.7
	31-40 year	25	23.4
	41-50 year	39	36.4
	51-60 year	21	19.6
	Above 60 year	2	1.9
	Total	107	100.0
Duration of employment in company (in years)			
		Frequency	Percent
Valid	0-5 years	23	21.5
	6-10 years	26	24.3
	11-15 years	26	24.3
	16-20 years	26	24.3
	Above 20 years	6	5.6
	Total	107	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.889	2

The Cronbach's Alpha is .889 for both predictor and predicted variables which is above the standard and acceptable.



Correlations				Sig. (2-tailed)	0
		HRA PRACTICES	DECISION MAKING	N	107
HRA PRACTICES	Pearson Correlation	1	.983**	**. Correlation is significant at the 0.01 level (2-tailed).	
	Sig. (2-tailed)			0	
	N	107	107		
DECISION MAKING	Pearson Correlation	.983**	1	The value of R is .983** for Human Resource Accounting practices and decision making where both are strongly as well as positively correlated with each other.	

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	113.770	1	113.770	109.449	.000 ^b
	Residual	4.056	105	1.039		
	Total	117.825	106			

a. Dependent Variable: DECISION MAKING

b. Predictors: (Constant), HRA PRACTICES

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.533	.063		8.422	.000
	HRA PRACTICES	.910	.017	.983	54.273	.000

a. Dependent Variable: DECISION MAKING

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.983 ^a	0.966	0.965	0.19653
a. Predictors: (Constant), HRA				

The above regression analysis shows that there is a positive significant relationship with transactional leadership sub-dimensions and learning organization. $R^2 = 0.966$ ($R = .983$, $P < 0.05$) which means predictor and predicted variables were explained 96.6% to understand the effect between both Human Resource Accounting Practices and decision making process in an organization.

Conclusion:

The researchers would like to conclude that Human Resource Accounting practices will have strong positive association with decision making of higher level management where alternative hypothesis was accepted

and null hypothesis got rejected. The sample size was low as the researcher conducted pilot study on this area and may get different results by increasing the sample size and demographics. The present research helps the organization to understand the importance of Human Resource Accounting and the effect of HRA on decision making. The current research helps the organizations to consider the concepts and practices related to Human Resources Accounting and gives road map in valuing the human resources to yield better profits and productivity in the organization.

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