



HUMAN RESOURCE ACCOUNTING IN SELECTED JORDANIAN COMPANIES - AN EMPIRICAL STUDY OF EMPLOYEES' PERCEPTION

¹Dr. Borhan Omar Ahmad Al-Dalaien, ²Bader Omar Ahmad Dalayeen
Email: b.dalaeen@yahoo.com¹, bader.dalaeen@yahoo.com²

Abstract

Human resources are considered important assets and are different from the physical assets as they have various types of feelings and emotions and they never get depreciated. Therefore, the valuations of human resources along with other assets are also required in order to find out the total cost of an organization. HRA is the process of identifying and reporting investments made in the human resources of an organization that are unaccounted in the conventional accounting. It is the art of valuing, recording, and presenting systematically the work of human resources in the books of accounts of an organization. The purpose of HRA is to measure in financial terms the effectiveness of the employees working in the enterprise. Taking this into cognizance, this empirical research has been conducted to examine the perception of employees on the incorporation of HRA in selected companies of Jordan.

Keywords: HRA, employees, perception, ANOVA, companies,

INTRODUCTION

Human resources are the skills, abilities, talent and knowledge of people which should be applied to the production of goods or for rendering of useful services. The success or failure of an organization depends on an effective combination of four Ms meaning thereby money, material, machinery and men. Human resources are considered as important assets and are different from the physical assets. Physical assets do not have feelings and emotions, whereas human assets are subjected to various types of feelings and emotions. In the same way, unlike physical assets human assets never get depreciated. Therefore, the valuations of human resources along with other assets are

also required in order to find out the total cost of an organization. Hence, Rensis Likert along with other social researchers made an attempt to define the concept of human resource accounting (HRA) in 1960s.

Human Resource Accounting (HRA) is a new branch of accounting which means accounting for people as the organizational resources. It is the measurement of the cost and value of people to organizations. It is the process of identifying and reporting investments made in the human resources of an organization that are unaccounted in the conventional accounting. Measuring the value of human resources can assist organizations in accurately documenting their assets. Human Resource Accounting is the art of valuing, recording, and presenting systematically the work of human resources in the books of accounts of an organization. Thus, it is primarily an information system, which informs the management about the changes that are taking place in the human resource of an organization. It involves measuring costs incurred by private firms and public sectors to recruit, select, hire, train and develop employees and judge their economic value to the organization. HRA is a sophisticated way to measure in financial terms the effectiveness of the personal manager activities and the use of people in an organization.

The American Accounting Association's Committee on Human Resource Accounting (1973) defines HRA as "Human resource accounting is the measurement and reporting of the cost and value of people as organizational resources. It involves accounting for investments in people and their replacement cost. It also involves accounting for the economic value of people to an organization." Moreover, it is the process of measuring and

reporting the human dynamics of an organisation. It is the assessment of the condition of human resources within an organisation and the measurement of the change in the condition through time.

Human resource accounting is the process of measuring and reporting the human resources of an organisation. It is the process of providing information about individuals and groups of individuals within an organisation to decision-makers. It is the process of accounting people as an organization resource. Moreover, it is the process of identifying and measuring data about human resources and communicating this information to interested parties. It is the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization. It is the process of identifying and measuring data about human resources and communicating this information to interested parties.

The primary purpose of HRA is to improve the quality of financial decisions of management on the pre-assumption that the availability of quantitative data on human resources would result in a widening of the scope of managerial decision-making by permitting consideration of a larger set of variables, or improving the basis on which these variables are currently considered. Nevertheless, the purpose of HRA is to improve also the quality of decision-making by external users, particularly the investors, who could benefit from HRA through the provision of information on the extent to which the human assets of the organization have been increased, or have diminished during the period.

BENEFITS OF HRA

1. HRA discloses the value of human resources which helps in proper interpretation of ROE, ROA, and ROCE.
2. Managerial decision-making can be improved with the help of HRA.
3. It can assist the management for implementing best methods of wages and salary administration.
4. HRA clearly identifies human resources as valuable assets, which helps in preventing misuse of human resources by the superiors as well as the management.

5. It helps in efficient utilization of human resources and understanding the evil effects of labour unrest on the quality of human resources.
6. The implementation of HRA can boost the morale of the employees because the dedication, devotion, skills, abilities, and hard work of human talent are considered valuable assets.

OBJECTIVES OF THE STUDY

1. To explicate the concept of human resource accounting (HRA) in brief.
2. To investigate the perception of employees on human resource accounting across demographic variables.

HYPOTHESES OF THE STUDY

Ho: There is no significant variation in perception of employees on human resource accounting (HRA) across demographic variables.

Ha: There is a significant variation in perception of management and employees on human resource accounting (HRA) across demographic variables.

Ho₁: There is no significant variation in perception of employees on HRA across age.

Ha₁: There is a significant variation in perception of employees on HRA across age.

Ho₂: There is no significant variation in perception of employees on HRA across gender.

Ha₂: There is a significant variation in perception of employees on HRA across gender.

Ho₃: There is no significant variation in perception of employees on HRA across designation.

Ha₃: There is a significant variation in perception of employees on HRA across designation.

Ho₄: There is no significant variation in perception of employees on HRA across experience.

Ha₄: There is a significant variation in perception of employees on HRA across experience.

Ho₅: There is no significant variation in perception of employees on HRA across qualification.

Ha₅: There is a significant variation in perception of employees on HRA across qualification.

RESEARCH METHODOLOGY

Convenient sampling was applied to collect data from the employees working in five selected companies. A well designed questionnaire (Appendix) was used for collecting data from employees working in Royal Jordanian, Middle East Insurance, Jordan Insurance Company, Jordan Telecom Group, and Arab East Investment Company. All the statements were rated on five-point Likert scales in a structured

format with the verbal statements 'strongly disagree' and 'strongly agree' anchor to the numerals 1 and 5 with response options ranging from strongly agree to strongly disagree. A total of 400 questionnaires were distributed to employees in which 171 questionnaires were rejected and 229 were accepted for analysis. The sample size of the study is 229. The data collection period was more than six months from September, 2018 to February, 2019. Besides, one way ANOVA and t test has been used to analyze the results through Statistical Package for the Social Science (SPSS) 20 version

Table 1: Questionnaires Distributed, Rejected, and Accepted

No.	Selected Companies	Questionnaires		
		Distributed	Rejected	Accepted
1	Royal Jordanian	80	34	46
2	Middle East Insurance	80	37	43
3	Jordan Insurance Company	80	35	45
4	Jordan Telecom Group	80	35	45
5	Arab East Investment Company	80	30	50
		400	171	229 [Sample Size]

Source: Primary Data

RELIABILITY ANALYSIS

The most widely used measure of reliability is cronbach alpha. There are different acceptable values of alpha, ranging from 0.60 to 0.95. If the value of α is greater than or equal to 0.6 but less than 0.7 is considered acceptable. Besides, the value of α greater than or equal to 0.7 but less than 0.9 is considered good and the value of

α greater than or equal to 0.9 is considered excellent (Cohen, 2010). Table 2 highlights the reliability of all statements under study. The value of cronbach alpha of all variables is ranging from 0.8 to 0.9 and the overall reliability is 0.874. Hence, the data is reliable for further analysis.

Table 2: Reliability Analysis of all statements

No.	STATEMENTS	Cronbach Alpha
1	Human Resource value should be presented in the Balance sheet.	0.879
2	The expenditure incurred by companies on HR should be capitalized and reported as assets.	0.887
3	The application of HRA should become mandatory.	0.911
4	HRA information increases the profitability of the concern.	0.904
5	HRA is the best method to indicate the true and fair value of financial statements.	0.871
6	HRA calculation is tedious and time consuming.	0.912
7	HRA method is costly.	0.907
8	HRA adds Economic value to the company.	0.866
9	Financial Performance of the company increases through HRA.	0.849
10	HRA gives clear picture about each and every detail of human resource.	0.931
11	HRA helps to improve the image or goodwill of an enterprise.	0.940
12	HRA reflects the amount of wealth and profit created by each employee.	0.859

13	HRA helps the share holders to make right investment decisions.	0.942
14	Higher the HRA information, higher the share holders investment.	0.937
15	HRA gives true in sights of a company and hence maintain faith amongst shareholders.	0.951

Source: Output of SPSS_20

Table 2 shows the reliability analysis of all fifteen statements of questionnaire used in the study. The Cronbach Alpha on first statement is 0.879 followed by 0.887 on the second statement. The seventh statement shows the

value of 0.907. Fifteenth statement shows the highest value of Cronbach Alpha whereas the lowest value was recorded on ninth statement. All the values are more than 0.6 so it can be said that data is reliable for further analysis.

Table 3: Demographic Profile of Employees

Categories	Frequencies	%
Male	160	69.9
Female	69	30.1
Total	229	100.0
Age		
20 - 25 years	104	45.4
26 - 30 years	50	21.8
31 - 35 years	39	17.0
36 - 40 years	21	9.2
41 years and more	15	6.6
Total	229	100.0
Qualification		
PhD	45	19.7
Master	85	37.1
Bachelor	82	35.8
Diploma	17	7.4
Total	229	100.0
Experience		
Less than 5 years	10	4.4
6-10 years	66	28.8
11-15 years	75	32.8
16 -20 years	41	17.9
Above 20 years	37	16.2
Total	229	100.0
Designation		
General Managers	65	28
Managers	139	61
High Executive	25	11
Total	229	100.0

Fig.1: Age of the respondents

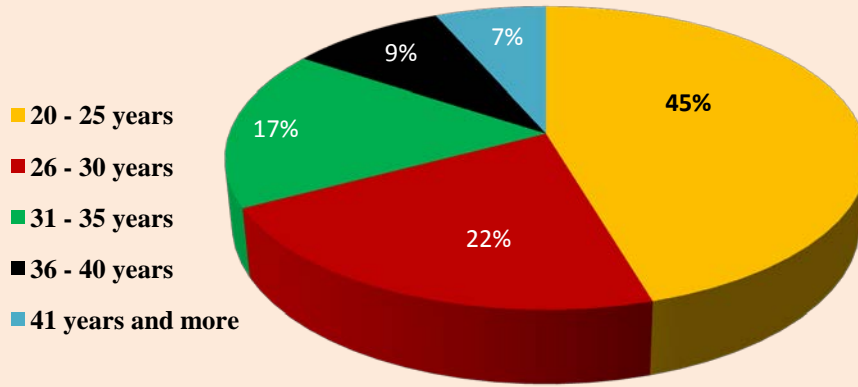


Fig.2: Qualification of the respondents

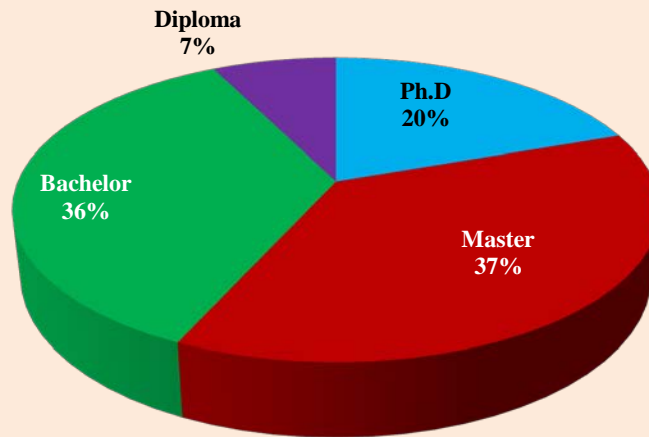
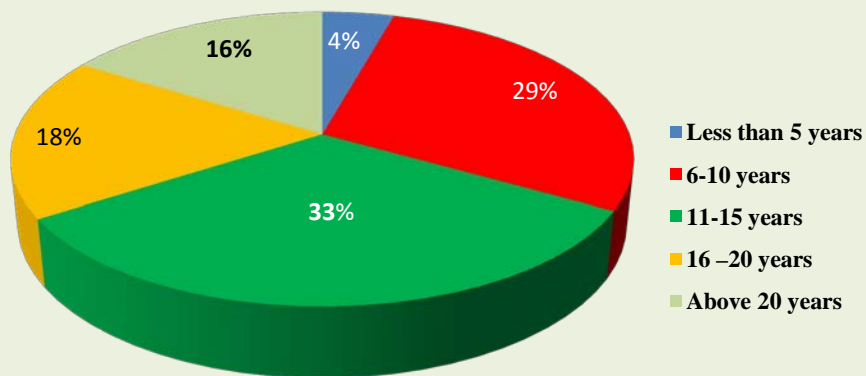
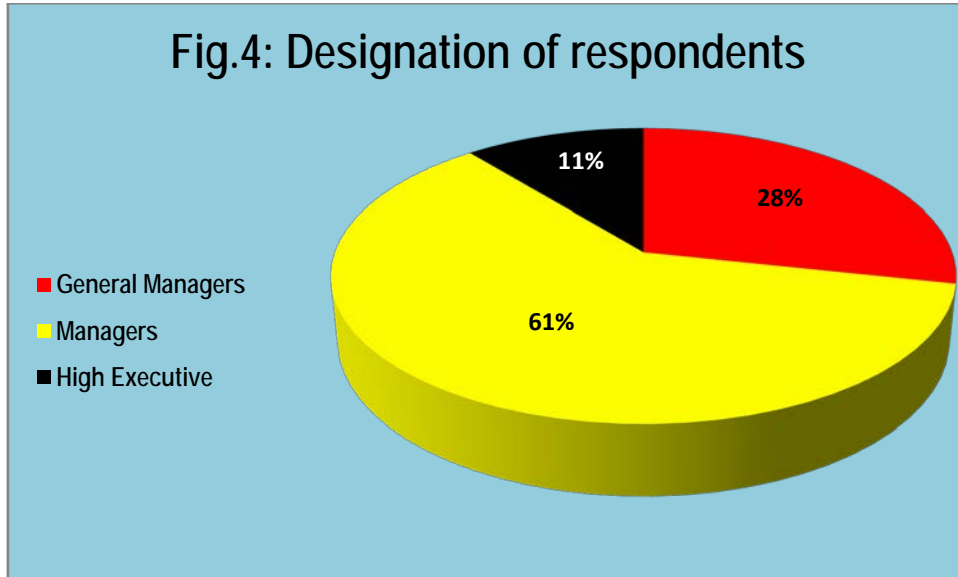


Fig.3: Experience of the Employees





Demographic Profile of Employees

Table 3 highlights the demographic profile of employees. The percentage of male employees is 69.9% while the percentage of female employees is 30.1%. *Secondly*, the percentage of Jordanian employees in the category 20-25 years is 45.4%, in category 26-30 years is 21.8%, in the category 31-35 years is 17% while in the category 36-40 years is 9.2% and in category 41 years & more is (6.6%). *Thirdly*, the percentage of Jordanian employees having diploma degree is 7.4%, Bachelor degree 35.8%, Master degree is 37.1% and PhD degree is 19.7%. Moreover, the percentage of employees having experience of less than 5

years is 4.4% and 16% have experience more than 20 years. The table further highlights the designation of the selected employees. Three categories of employees namely managers, general managers, and high executive employees have been selected for taking responses on HRA. 139 (61%) were the managers which includes HR manager, purchase manager, finance manager, marketing manager, and production manager. Besides, 25 (11%) were high executive employees including CAs, CEOs, CFOs, Company Secretary, and chief strategy officer. The general managers were 28% in the sample.

TESTING OF HYPOTHESES

Ho₁: There is no significant variation in perception of employees on HRA across age.

Ha₁: There is a significant variation in perception of employees on HRA across age.

Table 4: ANOVA [Age]

	Sum of Squares	df	Mean Squares	F	Sig
Between Groups	127.296	4	31.821	31.172	0.779
Within Groups	228.686	224	1.021		
Total	355.983	228			

Source: Output of SPSS_20

One way ANOVA has been applied to examine the variation in perception of employees on HRA across age. Table 4 exhibits the results of ANOVA. The significant value is 0.779 which

is more than 0.05 meaning thereby significant differences do not exists in perception of employees on HRA across age.

Ho₂: There is no significant variation in perception of employees on HRA across gender.

Ha₂: There is a significant variation in perception of employees on HRA across gender.

Table 5: Independent sample t test [Gender]

Variables	N	Mean	SD	t	df	Sig.
Male	200	4.021	1.224	1.854	278	0.724
Female	80	1.458	1.485			

Source: Output of SPSS_20

Independent sample test has been applied to examine the variation in perception of employees on HRA across gender. Table 5 exhibits that the significant value is 0.724 which

is more than 0.05 meaning thereby significant differences do not exist in perception of employees on HRA across gender.

Ho₃: There is no significant variation in perception of employees on HRA across designation.

Ha₃: There is a significant variation in perception of employees on HRA across designation.

Table 6: ANOVA [Designation]

	Sum of Squares	df	Mean Squares	F	Sig
Between Groups	87.637	4	21.909	13.635	0.0057
Within Groups	359.927	224	1.607		
Total	447.563	228			

Source: Output of SPSS_20

One way ANOVA has been applied to examine the variation in perception of employees on HRA across designation. Table 6 exhibits the results of ANOVA. The significant value is

0.0057 which is less than 0.05 meaning thereby significant differences exist in perception of employees on HRA across designation.

Ho₄: There is no significant variation in perception of employees on HRA across experience.

Ha₄: There is a significant variation in perception of employees on HRA across experience.

Table 7: ANOVA [Experience]

	Sum of Squares	df	Mean Squares	F	Sig
Between Groups	54.621	4	13.655	5.507	0.334
Within Groups	555.397	224	2.479		
Total	610.017	228			

Source: Output of SPSS_20

One way ANOVA has been applied to examine the variation in perception of employees on HRA across experience. Table 7 exhibits the results of ANOVA. The significant value is

0.334 which is more than 0.05 meaning thereby significant differences do not exist in perception of employees on HRA across experience.

Ho₅: There is no significant variation in perception of employees on HRA across qualification.

Ha₅: There is a significant variation in perception of employees on HRA across qualification.

Table 8: ANOVA [Qualification]

	Sum of Squares	df	Mean Squares	F	Sig
Between Groups	27.392	4	6.848	2.011	0.000
Within Groups	762.661	224	3.405		
Total	790.052	228			

Source: Output of SPSS_20

One way ANOVA has been applied to examine the variation in perception of employees on HRA across qualification. Table 8 exhibits the results of ANOVA. The significant value is 0.000 which is less than 0.05 meaning thereby significant differences exist in perception of employees on HRA across qualification.

is the process of identifying and reporting investments made in the human resources of an organization that are unaccounted in the conventional accounting. It involves measuring costs incurred by firms to recruit, select, hire, train and develop employees and judge their economic value to the organization. HRA is a sophisticated way to measure in financial terms the effectiveness of the personal manager activities and the use of people in an organization.

CONCLUSION

The concept of Human Resource Accounting (HRA) was first started in the year 1960s. HRA

The present research has been conducted to find out the perception of employees on the incorporation of HRA. The study is empirical in nature and conducted with the help of primary data collected from employees working in Royal Jordanian, Middle East Insurance, Jordan Insurance Company, Jordan Telecom Group, and Arab East Investment Company during the period from September, 2018 to February, 2019. With the application of convenient sampling, 400 questionnaires were distributed in which 229 were accepted for analysis. Moreover, cronbach alpha has been applied to

reveal the overall reliability of the data and the data proved reliable for further analysis. Thereafter, one way ANOVA and independent sample t test has been used to for testing the hypotheses. The results highlighted the mixed results meaning thereby some hypotheses have been accepted and some have been rejected. In nutshell, it can be said that there is no significant variation in perception of employees on HRA across age, gender, and experience, on the contrary, variation has not been found in the perception of employees on HRA across designation and qualification.

Table 9: Tested Hypotheses in Abridged Form

No.	F	Sig	Results
Hypothesis 1	31.172	0.779	Accepted
Hypothesis 2	1.854	0.724	Accepted
Hypothesis 3	13.635	0.0057	Rejected
Hypothesis 4	5.507	0.334	Accepted
Hypothesis 5	2.011	0.000	Rejected

REFERENCES

1. Agarwal, A. (2010). Human Resource Accounting: Role and Practices in an Organization. Finance India, Vol. xxiv, No.4, 1331-1345.
2. Al-Rawashdeh, A. & Al-Badainah, G. (2017). Human Resources Information Systems and their Impact on Competitive Advantage: An Empirical Study on Cement Companies in the Hashemite Kingdom of Jordan. International Journal of Academic Research in Accounting, Finance and Management Sciences, Vol. 7, No.2, 197-207. URL: http://hrmars.com/hrmars_papers/Article_19_Human_Resources_Information_Systems.pdf
3. Al-Dalaian, B.O.A., and Khan. A. (2018). A Textbook of Management Accounting. New Delhi: Regal Publications, 274-292.
4. Al-Hawary, S.I.S. & Nusair, W.K.I. (2017). Impact of Human Resource Strategies on Perceived Organizational Support at Jordanian Public Universities. Global Journal of Management and Business Research: Administration and Management, Vol. 17. URL: <https://journalofbusiness.org/index.php/GJMBR/article/download/2184/2086>
5. Aladwan, K., Bhanugopan, R., and Fish, A. (2014). Managing human resources in Jordanian organizations: challenges and prospects. International Journal of Islamic and Middle Eastern Finance and Management, Vol. 7 Issue: 1, 126-138, <https://doi.org/10.1108/IMEFM-09-2013-0104>
6. Basse, B.E. and Tapang, A.T. (2012). Expensed Human Resources Cost and its Influence on Corporate Productivity: A Study of Selected Companies in Nigeria. Global Journal of Management and Business Research, Vol. 12, Issue 5.
7. Chaudhry, N.I. and Roomi, M.A. (2010). Accounting for the Development of Human Capital In Manufacturing Company: A study of the Pakistani Textile Sector. Journal of Human Resource Costing and Accounting, Vol.14, No.3, 149-162.
8. Dyna, P.F.N. (2014). Human Resource Accounting In Indian Companies: An Analytical Study. Unpublished Doctoral Thesis, Manonmaniam Sundaranar University, Abishekapatti, Tirunelveli, Tamilnadu, India.
9. David, J., & Oziegbe, D. (2018). Human Resources Accounting Attributes and The Financial Performance Of Quoted Banks In Nigeria. URL: <https://www.researchgate.net/>

publication/330982608 _Human_ Resources_ Accounting_ Attributes_ And_ The_ Financial_Performance_Of_Quoted_Ba nks_In_Nigeria

10. Joshi, U. and Mahei, R. (2012). Human Resource Accounting System in Selected Indian Companies. *International Journal of Research in Commerce and Management*, Vol.3, Issue No.9, 77-79
11. Khan, H.Z. and Khan, R.Z. (2010). Human Capital Disclosure Practices of Top Bangladeshi Companies. *Journal of Human Resource Costing and Accounting*, Vol.14, No.4, 329-349.
12. Lai, E.R. (2011). *Motivation: A Literature Review*, Research Report, April, Pearson Publication
13. Misal, A.N. (2014). Study of Human Resource Accounting Practices in Information Technology Sector in India and Its Impact on Strategic Human Resource Management. Unpublished Doctoral Thesis, MKSS Hiraben Nanavati Institute of Management and Research, Savitribai Phule Pune University Karvenagar, Pune, India.
14. Perera, A. (2012). Impact of Measuring and Reporting Human Resource on Investment Decisions in Sri Lanka. *International Proceedings of Economics Development and Research*, 54(8).
15. Ratti, M. (2012). An Analytical study on Human Resource Accounting Practices- an Indian Experience. *Integral Review – A Journal of Management*, Vol. 5 No.2, 37 -45.
16. Saremi, H. (2011). An Impact of Human Resource Accounting Information on Human Resource Investment in Iranian Enterprises. *Lahoo Management Journal*, Vol. 2, No.1, 19-22.
17. Saini, A. and Saini, R. (2011). Intangible Assets Accounting Practices in Infosys Technologies Ltd: A Case Study. *Journal of Accounting and Finance*, Vol. 25, No.1, 54-63.
18. Sharma, A. (2012). Impact of Human Resources Accounting on Company Performance. *Journal of Business and Management*, Vol. 5, Issue 1 25-31.
19. Shweta, G., & Nishi, B. (2016). Impact of Human Resource Accounting on Growth Aspects of the Selected Companies in India. *International Journal of Research in Social Sciences*, Vol. 6, Issue 4, 350-364. URL: <http://www.indianjournals.com/ijor.aspx?target=ijor:ijrss&volume=6&issue=4&article=028>
20. Sur, D. and Jafar, A. (2008). Evaluating Performance of Human Resources through Human Resource Accounting Information in NTPC Limited during the Pre and Post-Liberalization Periods: A Comparative Study. *The ICFAI Journal of Management Research*, Vol. 7, No.2, 2134.
21. Tanwar, A. (2015). Analytical Study of Human Resource Accounting as adopted by Indian Enterprises. Unpublished Doctoral Thesis, Maharaja Ganga Singh University, Bikaner, Rajasthan, India.

APPENDIX-QUESTIONNAIRE

Section A-Demographic Profile

Name.....
 Gender.....
 Age.....
 Qualification.....
 Experience.....
 Designation.....
 Name of the company.....
 Salary.....

Section B-Perception of Employees on HRA

No.	STATEMENTS	1	2	3	4	5
1	Human Resource value should be presented in the Balance sheet.					
2	The expenditure incurred by companies on HR should be capitalized and reported as assets.					
3	The application of HRA should become mandatory.					
4	HRA information increases the profitability of the concern.					
5	HRA is the best method to indicate the true and fair value of financial statements.					
6	HRA calculation is tedious and time consuming.					
7	HRA method is costly.					
8	HRA adds Economic value to the company.					
9	Financial Performance of the company increases through HRA.					
10	HRA gives clear picture about each and every detail of human resource.					
11	HRA helps to improve the image or goodwill of an enterprise.					
12	HRA reflects the amount of wealth and profit created by each employee.					
13	HRA helps the share holders to make right investment decisions.					
14	Higher the HRA information, higher the share holders investment.					
15	HRA gives true in sights of a company and hence maintain faith amongst shareholders.					