

Manpower Accounting Credentials and Profitability of Selected Companies in India – A Comparative Study

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Abstract - The success of an enterprise depends on how best the scarce physical resources are utilized by the Manpower of an organization. Manpower plays the most important role in the growth of an enterprise. Manpower Accounting helps us to measure the cost and value of the people in the organization. The objective of this study is to analyze the profitability of a company and the extent of Manpower Accounting Credentials (MPAC) among the selected companies in India. A sample of thirty companies was selected from NSE 200. 16 companies from the public and 14 companies from the private sector were taken for the study. 10 years financial data from 2007-2017 were collected for the analyses of profitability of a company. Multiple regression and correlation analysis were the tools used for this study. The results were reflected in the firm's Return on Equity (ROE), Return on Assets (ROA), and Return on Investment etc. The study reveals that there is a positive relationship between firms ROA, ROE, ROI and MPAC.

Keywords: MPAC, ROE, ROA, ROI, Kolmogorov Smirnov test, Correlation, Multiple Regressions.

I. INTRODUCTION

Manpower's are necessary to organizations in myriad areas, starting from strategic attending to company image and its growth. The success of Associate in nursing enterprise depends on however best the scarce physical resources are utilized by the Manpower of a corporation. Manpower Accounting helps on live the value of the individuals within the organization. The aim of MPA is to depict the potential of Human Resource in financial terms, whereas casting the organization's money statements. Manpower Accounting (MPA) is a shot to spot and quantify the investments created in human resource of a corporation. The Quantification of the worth of Manpower helps the management to cope up with the changes in its quantum and quality in order that equilibrium may be achieved in between the specified resources and therefore the provided Manpower and helps the management in the higher cognitive process. Therefore a shot is formed to grasp that whether or not there's a relationship between MPAC and therefore the gain of a corporation, and MPAC is helpful for a corporation in assessing the performance in terms of ROA, ROE, and ROI.

Statement of the Problem and Significance of the study

Only few studies are created in relevance MPAC and also the profit of corporations in our nation. Therefore, the current study focuses on the analysis of MPAC and also the profit of a corporation of elite Indian corporations from each public and private sector, therefore provide an insight on Manpower accounting and build edges out of Manpower Accounting Credentials.

Objective of the study

- To analyze the profitability of selected companies and the extent of Manpower Accounting Credentials. (MPAC).

Hypothesis of the study

H0: There is no significant relationship between the profitability of a company and the extent of MPAC.

H1: There is a significant relationship between the profitability of a company and the extent of MPAC.

II. METHODOLOGY OF THE STUDY

To achieve the aforesaid analysis objective, the information is collected from the annual reports of various firms. The annual reports for selected firms throughout 2007-2017 key ratios are used to investigate the profit of a firm and also the extent of MPAC of the chosen firms. Besides, other sources of information are gathered from library and also include reviews of various articles, papers, and relevant previous studies.

Sources of Data

The study used secondary knowledge collected from the Centre for monitoring Indian Economy (CMIE) and money control data source and websites. The period covered of the study is for a period of ten years starting from 2007 to 2017.

III. SAMPLING TECHNIQUE AND POPULATION OF STUDY

Purposive sampling technique is employed for a choice of sample units. Samples are taken from public and private firms. The population of this study consisted of lot of firms within the National securities market (NSE). The total number of firms in NSE is 200; out of that thirty firms solely follows Manpower Resource accounting. Hence thirty firms were selected as a sample for the study.

Profitability Ratio

Profit ratios are most powerful analytical tool that can simply be used to work out how well a business is running successfully. Business management, owners and investors jointly utilize profit ratios to strike a match between business performance against similar businesses. Profit ratios square measure the foremost standard metrics utilized in money analysis. The profit ratios that measure accustomed to realizing the profit of a corporation square measure Return on Assets, Return on Equity and Return on Investment.

1. Return on Assets (ROA)

This metric measures how effectively the company produces income from its assets. The formula to find ROA is

$$\text{Return on Assets (ROA)} = \frac{\text{Net income}}{\text{Total Assets}} \times 100$$

2. Return on Equity (ROE)

This measures how much a company makes for each dollar that investors put into it.

The formula to find ROE is

$$\text{Return of Equity (ROE)} = \frac{\text{Net income}}{\text{Shareholders Investment}} \times 100$$

3. Return on Investment (ROI)

This is a metric that is important to stock investors as it measures the earnings produced by the company for each dollar invested in the company. The formula to find ROI is

$$\text{Return on Investment (ROI)} = \frac{\text{Net Profit}}{\text{Total Investment}} \times 100$$

IV. REGRESSION ANALYSIS

The Model

In order to derive the existing relationship between dependent and set of independent variables taken in the study a typical procedure of Ordinary Least Square (OLS) regressions is undertaken. Manpower Accounting Credentials is dependent variable and is associated with number of independent variables to study what actually determines the Profitability of an organization. The following equation is formulated for the study.

$$Z = \alpha + \beta_1 \text{ROA} + \beta_2 \text{ROE} + \beta_3 \text{ROI} + e$$

Where,

Z= Manpower Accounting Credentials (MPAC)

α = Inception of the regression line

β_1 = Coefficient (Slope of regression line)

ROA = Natural log of Return on Assets of the company

ROE = Natural log of Return on Equity of the company

ROI = Natural log of Return on Investment of the company

e = Standard sample error

Manpower Accounting Credentials (MPAC) was computed by using the following formula:

$$\text{MPAC} = \frac{\text{Total Score of Individual Company X 100}}{\text{Maximum Possible Score Obtainable}}$$

Dependent Variables:

ROA	-	Return on Assets
ROE	-	Return on Equity
ROI	-	Return on Investment

V. ANALYSIS AND INTERPRETATION

To analyze the profit of an organization and also the extent of Manpower accounting, Descriptive statistics, Correlation, and multivariate analysis were applied. Before analysis of the information, the information was being checked victimization Kolmogorov Smirnov test to check the normal distribution of the information when the test distribution of information is normal, the information are further measure analyzed. The results of the analysis are given below:

Table – 01 The Kolmogorov –Smirnov Test

	Dn	Dna
MPAC	0.771	< 0.832
ROA	0.214	< 0.421
ROE	0.742	< 0.806
ROI	0.940	< 0.981

The Kolmogorov –Smirnov test for the higher than table one reports that the significant value 0.771 for MPAC, 0.214 for ROA, 0.742 for ROE and 0.940 for ROI that permits accepted that sample information are normally distributed.

Table – 02 Descriptive statistics and Correlation Analysis

	Mean	StdDev	MPAC	ROA	ROE	ROI
MPAC	44.33	18.37				
ROA	9.22	7.98	.754**			
ROE	15.18	10.96	.638**	.734**		
ROI	19.81	14.99	.705**	.660**	.747**	

** . Correlation is significant at the 0.01 level (2-tailed).

Pearson’s correlation analysis is employed to review the connection between MPAC and ROA, ROE and ROI. From the above table two it is evident that the connection between ROA and MPAC is extremely significant at 1 % (0.754); ROE and MPAC (0.638); ROE and ROA (0.734) is extremely significant at 1 % level; the connection between ROI and MPAC (0.705); ROI and ROA (0.660) is absolutely at 1 % level and also the relationship between ROI and ROE is additionally significant (0.747) at 1 % level. Overall from the table, it was absolutely inferred that there's extremely strong and correlational relationship exists between Manpower Accounting Credentials (MPAC) and Return on Assets (ROA), Return on Equity (ROE) and Return on Investment (ROI). Hence null hypothesis is rejected at 1 % level.

Table- 03 Regression Estimates of Profitability of a company and MPAC

Independent Variables	Standardized Coefficients	
	Beta	Significance
Constant	24.735	6.566*
ROA	1.214	2.970*
ROE	-.058	.173
ROI	.469	2.11**
R ²	.645	
Adjusted R ²	.604	
F value	15.757*	

*p<0.01, **p<0.05.

To find out the association of MPAC with profitability (ROA, ROE, and ROI) multiple correlation models is employed. From the above table three, it's vivid that the multiple correlation coefficients (R²= 0.645) and therefore the adjusted R² is 0.604 indicates that sixty-one of the variation in manpower credential foreseen from the chosen experimental variable. The regression results show that the ROI has an extremely positive relationship with MPAC at 1 % level and ROA additionally has positive relationship with MPAC at a 5% level and thus the null hypothesis is rejected. The higher F value (15.757) shows that there's an

extremely strong and positive relationship between the profitability of the corporate and MPAC. It indicates that the businesses with higher profitability revealing additional Manpower Accounting Credentials in comparison to the businesses that are less profitable. ROA and ROI support added to the hypothesis in comparison to ROE.

VI. RESULT AND DISCUSSION

Overall from the tabular array it had been inferred that there's extremely strong and direct correlation ship exists between manpower Accounting Credentials (MPAC) and Return on assets (ROA), Return on equity (ROE) and Return on Investment (ROI). The regression results show that the ROI has an extremely positive relationship with MPAC. The higher F value shows that there's an extremely strong and positive relationship between the profitability of the corporate and it indicates that the businesses with higher profitability are revealing additional Manpower Accounting Credentials in comparison to the businesses that are less profitable. ROA and ROI support added to the hypothesis in comparison to ROE. Thus the null hypothesis is rejected. The result additionally implies that prime priority and constant appraisal of human resources can increase their morale; successively there will be higher reflection of profit. Thereby the company’s profitability completely influences corporations to report the information in their annual reports.

The study finds that there's extremely sturdy and positive relationship between the profitability of the corporate and personnel Accounting Credentials (MPAC). it's in line with FilomenaAntunes Bra’s and Lu’cia capital of Peru Rodrigues(2007), Syed Abdulla Al Mamun (2009), Alam&Kanti woman (2009), ImtiazAlam and SumanKanti woman (2010), NaveedIqbalChaudhry and Muhammad AzamRoomi(2010), Leyira Christian Micah et al (2012), AhestaPerera(2012), Obara, professional Chukwuma (2013), Ijeoma.N. et al (2013) . The result was additionally in line with the findings of the many Asian countries researchers in India like ArunaSaini and RamdhanSaini (2011), Dr.A.O.Enofecolin al (2013). The result's contrary to the results of Nabil Elias (1972), James A. Hendriks (1976). The analysis associated with profitability of an organization and therefore the extent of Manpower Accounting Credentials (MPAC) reveals that profitable company discloses additional human resource accounting info and therefore the company which has additional human resource accounting info provides additional profit to the corporate.

VII. CONCLUSION

The importance of the study could also be viewed from its contribution to fill a crucial gap in the literature. That is, findings of the study will augment the present body of literature, and may start focusing on future. On the sensible dimension, the study could facilitate corporations

in the initial stage of introducing MPA in their concerns. The above information and analysis ought to facilitate the management of MPA and adding additional human resource speech act with reference to human resources accounting for attaining the expected profitableness.

The multiple regression analysis employed in the study to estimate the impact of predictor variables on the responding variable that shows that there is an extremely strong and positive relationship between the profitableness of the company and MPAC. Finally, the main focus on MPA in enterprises has resulted in a growing interest by stakeholders. The main stakeholders, such as the enterprises, investors, employees, trade unions and governments, are therefore gradually becoming aware of the potential of HRA, albeit from different perspectives.

VIII. LIMITATIONS AND SCOPE FOR MORE STUDIES

- The study relies on secondary knowledge collected from the secondary knowledge supply, web, and websites of varied banks involved. Therefore, the standard of the study depends upon the accuracy, responsibility, and quality of secondary knowledge supply.
- The study is additionally supported some selected thirty companies and twenty Manpower Accounting Credentials variables solely.

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