

Evaluating The Relationship Between HRA Awareness And Employee Productivity

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Abstract

Human Resource Accounting (HRA) is a form of accounting in which humans are valued. Questionnaire was provided to the workforce across various industries and 100 respondents were recorded. The data was analyzed using the SPSS Software. As the first step, normality of the data was checked using Kurtosis and Skewness. Cronbach's Alpha, descriptive statistics, correlation analysis, regression analysis, and ANOVA were the other parameters used on the data to analyze the impact of HRA on productivity. The results indicated a significant positive correlation ($r = 0.68, p < 0.001$) between HRA Awareness and productivity. Regression analysis was further used to verify that HRA awareness predicts Employee Productivity ($\beta = 0.78, R^2 = 0.46, p < 0.001$). The ANOVA test showed that there is no significant difference regarding HRA awareness across industries and additionally, Cronbach's Alpha (0.805) indicated good internal consistency. These findings showcase that organizations can improve productivity by improving employees' insight and knowledge about HRA principles.

Background: The accounting standards that we usually follow don't show the significance of human assets in financial statements, HRA is a concept that started giving importance to the workforce and their efforts by valuing them and creating a mapping system where employees' progress is closely monitored. HRA gained importance when businesses realized that it is equally important to invest in the workforce as it impacts productivity and profitability. Even though we have come a long way from the introduction of the concept of HRA, still most of the workforce is unaware about the importance of HRA and how it affects productivity and their career growth. Due to this limited awareness among employees and organizations, adoption of Human Resource Accounting (HRA) remains inconsistent. This research aims to explore whether employees' awareness has an impact on their productivity and whether organizations can improve performance by incorporating HRA principles into workforce management.

Methods: A structured questionnaire which used a 5-point Likert scale was distributed as google form to 100 employees across various industries to assess their awareness of HRA and its impact on productivity. The collected data was checked for normality using Skewness and Kurtosis to maintain accuracy in interpretation. Cronbach's Alpha was conducted to check the reliability of the responses. Data analysis was performed using SPSS, where descriptive statistics, Pearson correlation analysis, and regression modelling were done. Descriptive analysis gave insights into the levels of HRA Awareness and Employee Productivity, correlation analysis gave insight into the strength of their relationship. Regression analysis was conducted to assess the predictive power of HRA Awareness and Employee productivity.

Results: The results indicate that most employees have a high awareness of HRA. The Pearson Correlation Coefficient suggests a significantly strong positive correlation between HRA Awareness and Employee Productivity. The ANOVA Test showed that there is no statistically significant difference in HRA Awareness across industries. Regression Analysis indicated that HRA Awareness shows a positive and significant impact on Employee Productivity.

Conclusion: This research confirms the hypothesis, there is a significant difference between HRA Awareness and Employee Productivity. Organizations that provide awareness to the workforce and incorporate them into performance management can enhance overall work efficiency. By recognizing human capital as an asset, companies can improve productivity and workforce retention. This study also points out that one of the key non-financial factors, human assets, is to be included in financial statements.

Keywords: Human Resource Accounting (HRA), Employee Productivity, HRA Awareness, Workforce Performance, Industry-wise Impact

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I. Introduction

Without the proper utilization of human resources, no company can reach its goal. The workforce is the soul of any business, still in traditional accounting standards it is not valued. Many Indian Organizations like BHEL, SAIL, ONGC, Infosys, NTPC make use of HRA. Still many employees are unaware of HRA and how it plays a crucial part in valuing their skills and contributions. This unawareness causes major tension,

The study aims to analyze the relationship between HRA Awareness and Employee Productivity.

Research Problem

Organizations are reluctant to integrate HRA as there is no standardization. The major aim of this study is to check if the increase in awareness causes an increase in employee productivity.

Objective

To analyze the relation between HRA Awareness and Employee Productivity.

Research Hypothesis

H₀: There is no significant difference between HRA Awareness and Employee Productivity.

H₁: There is significant difference between HRA Awareness and Employee Productivity.

II. Literature Review

Human Resource Accounting

HRA is a term which became famous during the 1960s, it was proposed by Rensis Likert and further developed by Flamholtz and Lev & Schwartz. The concept of the workforce creates economic value, and it is accounted for leading to the concept of HRA. The R.G. Barry Corporation, U.S and Indian company BHEL (Bharat Heavy Electricals Ltd. implemented HRA in their financial statements during 1960s to 1980s. "The human organization is the most critical element in the success of a business. The quality of management and leadership determines the productivity of human assets." Rensis Likert (1967). "Organizations invest in human capital just as they invest in physical capital, and the valuation of human resources should be an integral part of financial reporting." Flamholtz (1974). "Traditional accounting systems fail to recognize the value of intangible assets, particularly human capital, which is often the key driver of corporate success." Baruch Lev (2001). Even though many researchers pointed out the importance of HRA it was not widely accepted.

HRA Awareness and Productivity

"Human Resource Accounting not only enhances employees' perception of being valued but also acts as a motivational tool, leading to higher productivity and organizational commitment." Gupta & Sharma (2012). "The measurement of human capital provides a basis for making strategic decisions that enhance productivity, efficiency, and long-term organizational success." Eric Flamholtz (1985) "Awareness and implementation of Human Resource Accounting create a culture of accountability and performance orientation, ensuring sustained growth and competitive advantage." Maheshwari & Reddy (1992). All these researchers emphasized the idea of strong relation between HRA Awareness on productivity.

Difficulties in assessing the Impact.

"The challenge in measuring human capital lies in quantifying intangible assets, as traditional financial metrics fail to capture the full impact of HR investments on business performance." Becker, Huselid & Ulrich (2001). "HR measurement is complex due to the indirect relationship between workforce practices and financial outcomes, making causality difficult to establish." Mark Huselid (1995). "HR's greatest challenge is demonstrating its value through data, as the outcomes of HR practices are often long-term and influenced by multiple external factors." Dave Ulrich (1997). "The difficulty in HR data assessment stems from the lack of universally accepted metrics and the subjective nature of employee performance and potential." John Boudreau & Peter Ramstad (2007). "Without standardized measurement frameworks, organizations struggle to assess the return on investment in human capital, leading to inconsistent HR analytics." Jac Fitz-enz (2000). "Measuring HR effectiveness is challenging because many factors, including organizational culture and leadership, influence human capital outcomes beyond direct HR initiatives." Wayne Cascio (1991).

Even though the above studies emphasize the difficulties for the implementation still it is important that HRA awareness on productivity must be studied as it helps overall benefit of the organization. Even though there are no standard for valuing efficiency, productivity, innovation these factors play a crucial role in the running of the organization.

Secondary Data

According to various research data, employee productivity and HRA awareness are strongly correlated. Employers have shown improvement in skills, efficiency, retention due to HRA Awareness. Nonetheless, the absence of standardization of HRA procedures continues to be a problem, making it necessary to conduct more studies and on how to assess the workforce. Therefore, increasing employees understanding of HRA can be a strategy that firms can use to improve workman productivity, job satisfaction and long-term company growth.

III. Research Methodology

Research Design

Quantitative Approach using questionnaire was used.

Sample and Data Collection

- **Sample size:** 100 employees from various industries.
- **Sampling method:** Convenience Sampling
- **Data collection method:** Questionnaire
- **Measurement scale:** 5-point Likert scale (1=Strongly Disagree, 5 = Strongly Agree)

Data Analysis Technique

- **Cronbach's Alpha:** To ensure consistency
- **Descriptive Statistics:** Summarized HRA Awareness and Productivity scores.
- **Correlation Analysis:** Examined the strength of the relationship between HRA and Productivity.
- **Anova Test:** To test the significant difference in HRA Awareness across different industries.
- **Regression Analysis:** Analyzed if HRA Awareness predicts Employee Productivity.

IV. Results And Discussions

Skewness & Kurtosis

Normality of data was assessed using Skewness and Kurtosis. Skewness values range between -0.08 TO 0.17. Kurtosis values range between -1.43 to -0.92. Since both Skewness and Kurtosis fall within the acceptable range for normality, parametric tests were performed on the data.

Cronbach's Alpha

Reliability of the data was checked between HRA Awareness and Productivity using Cronbach's Alpha.

Table 2: Reliability Statistics

CRONBACH'S ALPHA	N
0.805	2

SOURCE: Computed value in SPSS

Cronbach's Alpha indicated strong internal consistency (0.805).

Descriptive Statistics

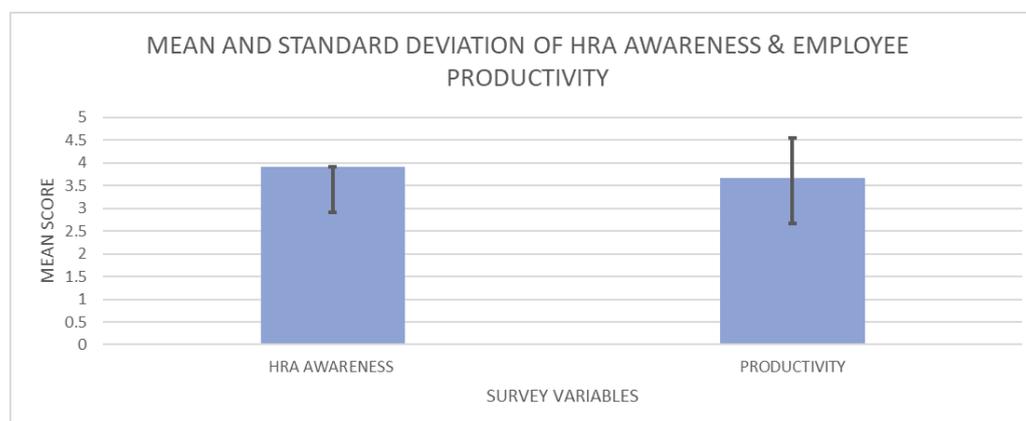
Measures of central tendency (Mean), measures of dispersion (Standard deviation) were used to summarize the data.

Table 3 showcases the Mean and Standard Deviation for HRA Awareness and Employee Productivity.

Table 3: Descriptive Statistics

VARIABLE	NO	MEAN	STANDARD DEVIATION	MIN	MAX
HRA AWARENESS	100	3.91	0.87	2	5
PRODUCTIVITY	100	3.67	1.00	2	5

SOURCE: Computed value in SPSS



- Since the mean value of HRA Awareness is 3.91 it indicates that most employees have moderate to high awareness of HRA.
- Similarly, the mean value of productivity is 3.67 which indicates a moderate level of productivity.

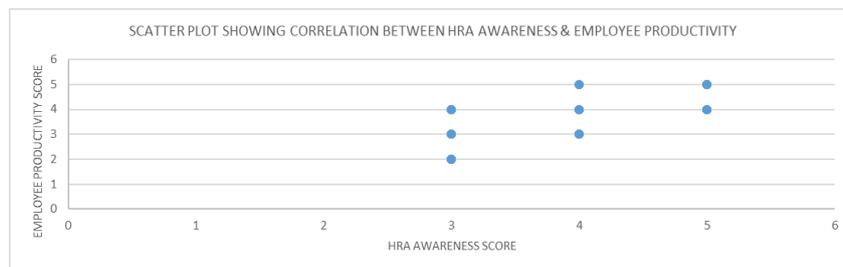
Correlation Analysis

Pearson Correlation Analysis was performed to measure the strength of the relationship between HRA Awareness and Employee Productivity.

Table 4: Pearson Correlation Analysis

VARIABLES	HRA AWARENESS	PRODUCTIVITY
HRA Awareness	1	0.68**
Productivity	0.68**	1

SOURCE: Computed value in SPSS



Note: $p < 0.001$ (significant at 99% confidence level)

- The Pearson Correlation Coefficient ($r = 0.68$) suggests that both the variables move in the same direction indicating a strong positive correlation between HRA Awareness and Employee Productivity.
- The p value (<0.001) confirms that this relation is statistically significant.
- This correlation proves that as awareness increases productivity also increases.

ANOVA Test for Industry-wise Comparison

ANOVA was conducted to compare HRA Awareness across industries to see if there is a significant difference.

Table 4.5: ANOVA Results

TEST	F-STATISTICS	p-value
HRA Awareness across industries	1.55	0.127

SOURCE: Computed value in SPSS

p-value of 0.127, which is greater than 0.05 indicates that there is no strong evidence to reject the null hypothesis, i.e., there is no significant difference about HRA awareness across industries

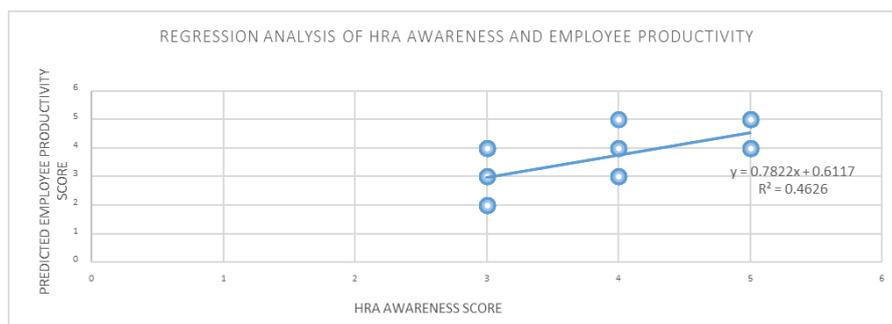
Regression Analysis

The Linear Regression Analysis was conducted to determine the cause and effect of HRA Awareness on Employee Productivity.

Table 6: Regression Analysis

PREDICTOR	β	R^2	p-value
HRA Awareness Productivity	0.78	0.46	$p < 0.001$

SOURCE: Computed value in SPSS



- The beta coefficient of 0.78 suggests that for every one unit increase in HRA Awareness, Employee Productivity increases by 0.78 units.
- The R² value (0.46) depicts that 46% of the variation in Employee Productivity can be explained by HRA Awareness.

Thus, we reject the null hypothesis (H₀) and accept the alternate hypothesis (H₁), concluding that HRA Awareness shows a positive and significant impact on Employee Productivity.

V. Discussion

With regard to Organization

- 1 Higher awareness of HRA improves workforce productivity: When employees realize that they are considered an asset of the organization, they will start to enhance their productivity and efficiency which ultimately benefits the organization.
- 2 Organizations should incorporate HRA training programs to educate employees on their financial worth: Workforce must realize that their career growth is mapped with HRA implementation so having a steady growth not profits the company but the workforce too.
- 3 Companies that assess human capital as an asset can improve employee retention and productivity: When employees' goals align with that of company's objectives, it leads to career growth and retention of the employees. Creating a hard-core interest for the management and the organization is easily achievable with integrating HRA.

Introduce HRA training programs

- 1 The ANOVA test suggests that there is no significant difference in HRA Awareness across the sectors, indicating that the employees in different industries have similar levels of awareness.
- 2 Since awareness levels are the same across the industries, it is safe to say that all organizations should invest equally in HRA training programs.

Challenges in Implementing HRA

- 1 Absence of Standardization: There is no globally accepted framework to value human capital as an asset: There are no universally accepted principles regarding HRA so even if companies are ready to integrate HRA it becomes difficult after a certain point. The absence of clear guidelines makes it difficult for the comparability of HRA between industries.
- 2 Reluctance from Top Management: Top management may not implement HRA as it is non-mandatory: There is still hesitation from the top management to integrate HRA into their HR policies as it is not mandatory. The root cause of reluctancy is because in traditional accounting employees are not considered as assets and their value is not considered, shifting to an entirely different concept of considering them as assets requires major changes.

Recommendations

- 1 HRA must be a part of organizational policies: Organizations must consider and recognize human capital as tangible assets and must include it in the organization's policies and score of their efficiency, skills, and other relevant contributions must be included in financial reports. Investors and stakeholders of the organization will gain insight into the organization's strength as well as retention ratio.
- 2 HRA can be used in Performance Appraisals: When HRA becomes the valuation standard for incentives it can increase motivation as well as productivity. Organizations can use HRA based performance indicators to give incentives and rewards. Employees should be given the opportunity to track their HRA score, which will improve their job satisfaction as well as encouraging them to develop new skills required by the changing industry trend.

VI. Conclusion

This research confirms the hypothesis that HRA Awareness positively impacts Employee Productivity. The results indicate that employees who have an insight into HRA exhibit higher motivation and engagement, leading to higher productivity. It is a key factor when it comes to productivity. HRA Mapping lets the employees know about their efficiency level, linking efficiency with incentives gives a fair shot for every employee to improve their skills as well. It is important that the workforce realize the value they provide for the working of the company and how it helps to achieve its objectives. When employees align their career objectives with that of the company's objective it benefits both parties. Proper HRA valuation and transparency makes it easier for management to motivate and lead the workforce to achieve its objectives faster. Having an environment where the workforce is valued in a proper structure creates a better pooling of talents and skills rather than stagnation of the workforce. HRA awareness improves their sense of belonging and encourages skill development. HRA is also

a factor for employee retention, when employees do acknowledge that the training, skill development courses are increasing their HRA score leading to increased incentives and better positions they start to show a hard core belongness to the organization rather than going after marginal benefits. The results of ANOVA indicate that there is no significant difference in HRA awareness across industries, so it should be noted that other factors such as management styles, organizational policies and goals play a major role. Additionally, standardization of HRA is necessary for its transparency and every employee must be given proper instructions while joining the firm regarding the valuation method.

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