

The application of human resource accounting systems in public shareholding companies in Jordan

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ABSTRACT-- *The current research aimed at studying the application of human resource accounting systems in Jordanian shareholding companies by a quantitative approach. Designed questionnaire distributed on 98 financial managers of public holding companies in Jordan (listed in the Jordanian stock market); the number of the companies included in this study was 34 companies with big and medium size. The results showed that managers of the tested companies think that Jordanian companies are in need for human resources accounting system and are ready and able to apply it in their systems.*

Keywords— *Human resource, Accounting systems, Public shareholding companies, Quantitative approach*

I. INTRODUCTION

Human resources considered the main power behind any company in any sector of the modern world even with the modern big technology that took the world into new levels of production. Thus any systems that organize the human force in an organization is essential for the organization (Shreelatha, 2018). The Investments in the human resources was and still the most powerful aspect of the organization that can promote the business and increase its abilities by promoting the knowledge and application of science and technology to production processes and developing innovations and research (Malik, 1993).

In general, "human resource accounting" means considering the people of the organizational as its resources, which mainly means the measurement of the cost and value of people to organizations. In this matter, Human resource accounting cannot be only looked at as a system of accounting for the cost and value of people to organizations, but it should be considered as a method of management of the human resources also (Flamholtz E, 1972).

Human resource accounting will give monetary data concerning the human force in the organization, which is considered to be important not only for the management in taking various decisions but also for the analyst and the employees (Shreelatha, 2018).

Applying these systems and managements forms in the public holding companies has its own big benefits and needs as well as its difficulties especially in countries as Jordan in the Middle East. Studies on the topic show that the applications of these systems are spreading but it has difficulties and need more research and improvements.

II. RESEARCH QUESTIONS:

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Is there need to use the human resource accounting system in the Public holding companies in Jordan?

Are the public holding companies in Jordan able to use the human resource accounting system successfully?

Research theories

H1 . There is no need to use of the human resource accounting system in the Public holding companies in Jordan.

H2 . the public holding companies in Jordan are not able to use the human resource accounting system successfully.

III. LITERATURE REVIEW

According to Singh and Singh (2009), the view of the human assets was made first by Sir William Petty (1623-1687), which was also after the work of Rensis Likert who can be credited for considering the human force in an organization as resources. But the first actual implementation was done by Barry Corporation, in the year 1967, (Singh & Singh, 2009).

According to (AAA, 1973), the main goal of the human resource accounting is to improve the final calls of the total economic decisions in the organizations, which is also supported by Tofangsaz et al. (2013) who showed that the human resource accounting followed the theories of human relations management, and started by the American sociologist Rensis Likert.

In the study of Jeroh (2013), he noted that there was a direct relationship between human capital accounting and the comparability of financial statements in Nigeria, which he concluded that human capital accounting is one main aspect and component of a credible financial statement. This means that it needed in the final statements , but according to the study of Bokhari et al. (2012) , he argued that applying of this part of human management is still not completely accepted and applied in the in the financial statements.

Mnay studies showed that most of accountants and scholars in this field are agreeing on the concept and the need to apply it in the organizations and in the public holding companies no matter the size of the company, which implies the big need for this management and accounting system. The studies of Jelil et al. (2014) and Ikpefan et al. (2015) explained this in the results of their studies which concluded that over than 98% of the samples asked about the human resources accounting system, agreed to the need of the apple of it in their organizations.

Steen and Welch (2011) noted that the goal of human resource accounting application is to support the management of the organization, by managing the value of the human force and increasing its contribution in the organization. According to Mayo (2005) and Verma and Dewe (2008), the human resource accounting literature focuses mainly on the development measures which help the management of the human resources and their contribution and their rule in the company so that the bigger image is clear and clever decisions are in place.

For the big role of the human capital in any given organization, Bontis (2001) argued that if the shareholders of any organizations and economists see the need of the intellectual capital disclosure, then companies are going to use it in their statements.

The study of Yagnesh M Dalvadi (2010), the authors studied Human Resource Accounting in public and private companies in India. The author used 't' test to know that there is any significant difference in companies using Human Resource Accounting (four companies included in the study) .

The authors concluded that there is significant difference in use of Human Resource Accounting and suggested that companies should provide more information regarding its Human Resources. According to this study, the Government also should make it compulsory for companies to disclose Human Resource related information.

Dinesh B. Raghuvanshi (2014) did a study in one educational institution to know how HR accounting can be applied there. The author finds few challenges in the application of HR accounting. Unlike business organization most of the educational institutions are run as charitable institutions. Absence of profit motive does not encourage management to manage its Human Resource efficiently. Salaries of employees and fee structure are determined by the government. The writer gives his views at the end that when the corporate will participate in education industry then there will be more logical valuation of Human Resources. The same concept of Human Resource Accounting is not seen applicable for companies and educational institutions so far the element of profit is missing in educational institutions.

Michael Mankins, Karen Harris et al (2017): The author in this article explains how the Human Capital has taken more importance than financial resources. Presently global financial capital is 10 times of global GDP. In many large companies the after cost of borrowing is close to the rate of inflation which means borrowing cost is near zero. Skilful allocation of financial capital is no longer a source of sustained competitive advantage. Weighted average cost of capital was 10% in 1980s and 1990s and at present it ranges from 5- 6%. It is expected that global financial asset will increase by 40% from 2010 to 2020. It has also been researched that populations of the age of 45-59 years are critical in determining the level of savings. These peak savers will represent a large and growing percentage of global population until 2040. Because of financial capital abundance the companies have started buy backs as they do not have better investment opportunities. According to author at present the company must learn to quickly spot and get out of the losing venture while aggressively supporting the winners like Alphabet the parent company of Google did. Today productive means working smarter than working harder. In the new era the time, talent and energy of the people of the company along with the ideas they generate is the foundation of the superior performance. The companies that apply real discipline in their management of Human Capital are on average 40% more productive than the rest. The author hence supports than present age is the age where the value of Human Capital outweighs the importance of financial resources which further supports the requirement of research in the field of Human Resource Accounting.

IV. STUDY METHODOLOGY

This study is quantitative in nature as the author used a questionnaire distributed on 98 financial managers of public holding companies in Jordan (listed in the Jordanian stock market), the number of the companies included in this study was 34 companies with big and medium size.

The questionnaire aimed at knowing the opinions of the managers about the need of the human resource accounting system and the ability of using it in the Jordanian companies. The questionnaire included 2 main

sections, the first including 6 questions about the need and qualities of the use of the human resource accounting system, and the second section included 6 questions about the ability of the use of this system in the public holding companies in Jordan.

The sample contained the following:

Table 1: Financial managers of public holding companies in Jordan

	Male	Female	Higher manager	Manager	Accountant
	75	23	16	33	49
Total	98		98		

The sample consists of 23 females, and 75 males, of them, 16 higher managers, 33 managers, and 49 accountants from 34 companies chosen from Jordanian public holding companies.

The questionnaires were sent to the participants by the electronic emails after a direct call by the researcher to the participants asking them if they would like to participate in the research.

All 98 participants completed the questionnaires and sent it back to the researcher email. The research duration was 3 months, beginning October 2019 till January 2020. The questionnaires took 2 months to be completed and sent back by the respondents. The researcher contacted each company to be able to take to their managers and ask them to participate and to allow other managers and accountants in the company to participate in the research. Out of 50 company contacted, only 34 company agreed to participate and to allow its own employees to participate in the research.

This is due to facts that employees and managers were busy or that some managers do not want to expose any inside information of their companies (even though the researcher sent the questionnaire to the managers of these companies to look at before participate in some cases to insure that all information's collected are research related only)

Table 2: The researcher did the internal consistency test (Cronbach alpha test) on the both sections

Section number	Section topic	Number of questions	Cronbach Alpha value
1	The need and qualities of the use of the human resource accounting system	6	0.885
2	The ability of the use of this system in the public holding	6	0.791

	companies in Jordan.		
TOTAL		12	0.824

The results in the previous table show that the value of the Cronbach Alpha for the first section is 0.885, while the second value was 0.791, while the total value is 0.824. The results of the three values are higher than 0.660 which is the accepted value according to Sekeran (Sekeran, 2003).

The results were analyzed by using SPSS version 26 and the following test was done:

1. frequencies and means of the responses of each section of the results
2. T test for the testing of the hypothesis of the research

V. RESULTS AND DISCUSSION

Table 3: The need and qualities of the use of the human resource accounting system

The statement	Mean	Std
The spending of recruitments has increased because of the need of more human resources in the company	4.65	0.665
There are increase in the services based companies that need more human force than other companies	3.96	0.732
There are increase in the need of human resources information and accounting process in the public holding companies in Jordan	4.44	0.661
The application of the human resource system will unify the management and financial sectors of the company for better results	4.51	0.663
The use of the human resources accounting will make the company able to provide the human force in the company with better treatment and better work quality measurement and rewards in the long and short term	3.99	0.722
The application of the human resources system will expose the highest performance employees and make the management able to have better decision when it comes to employees.	4.39	0.736
The application of the human resources accounting system in the company will retain big ability of management correct decision on the long run.	3.98	0.781

The results in the table show that for the first statement the mean was 4.65 (high agreement), 3.96 for the second statement (high agreement), 4.44 for the third statement (high agreement), 4.51 for the fourth statement (high agreement) , 3.99 for the fifth statement (high agreement), and 3.98 for the last statement(high agreement)

The result of the first section total responses show high agreement for all statements of the section , which show that responses think that there are high need to apply the human resources account system in the public holding companies in Jordan.

Table 4: The ability of the use of this system in the public holding companies in Jordan

The statement	Mean	Std
Companies in Jordan has the management abilities (policies and managers qualities) to be able to apply the human resources accounting system	4.01	0.366
Jordanian companies has the transparency needed for such system	3.23	0.631
The public holding companies in Jordan eager to improve its quality by improving its human resources by applying new management systems	4.33	0.651
Jordanian public holding companies are willing to pay extra on improving the management section related to human resources	4.22	0.669
Employment in Jordan is not stable and employees spend more time changing jobs than being in one stable job , which make it harder to benefits from a new human resources accounting system	3.87	0.781
Most of the public holding companies in Jordan are not big enough to pay extra on human resources management and accounting system	4.09	0.836

The results for the second section show that for the first statement the mean was 4.01 (high agreement) , 3.23 for the second statement ((high agreement) , 4.33 for the third statement (high agreement), 4.22 for the fourth statement (high agreement), 3.87 for the fifth statement (high agreement), and 4.09 for the last statement (high agreement) .

Hypothesis testing

To test the hypothesis of the current research, the researcher used the T test using SPSS on the two section of the results.

For the first hypothesis (There is no need to use of the human resource accounting system in the Public holding companies in Jordan), t test was applied for the first results as the following:

Table 5: First hypothesis (One-Sample Test)

One-Sample Test				
	t	df	Sig.	Mean Difference

Companies in Jordan has the management abilities (policies and managers qualities) to be able to apply the human resources accounting system	12.001	94	.041	2.61628
Jordanian companies has the transparency needed for such system	20.306	94	.023	2.03488
The public holding companies in Jordan eager to improve its quality by improving its human resources by applying new management systems	17.205	94	.001	2.53488
Jordanian public holding companies are willing to pay extra on improving the management section related to human resources	16.006	94	.043	2.48837
Employment in Jordan is not stable and employees spend more time changing jobs than being in one stable job , which make it harder to benefits from a new human resources accounting system	17.556	94	.001	2.50000
Most of the public holding companies in Jordan are not big enough to pay extra on human resources management and accounting system	18.095	94	0.043	2.45556
The application of the human resources accounting system in the company will retain big ability of management correct decision on the long run.	16.009		0.033	2.6630

The results show significant (p value less than 0.05), which means the rejection of the first hypothesis and the opposite hypothesis is accepted:

There is a need to use of the human resource accounting system in the Public holding companies in Jordan.

For the second hypothesis the researcher did a t test and the results were as the following:

Table 6: Second hypothesis (t test)

One-Sample Test				
	t	df	Sig.	Mean Difference
The spending of recruitments has increased because of the need of more human resources in the company	11.331	94	.041	2.61628
There are increase in the services based companies that need more human force than other companies	27.206	94	.023	2.03488

There are increase in the need of human resources information and accounting process in the public holding companies in Jordan	18.226	94	.001	2.53488
The application of the human resource system will unify the management and financial sectors of the company for better results	17.286	94	.043	2.48837
The use of the human resources accounting will make the company able to provide the human force in the company with better treatment and better work quality measurement and rewards in the long and short term	17.620	94	.001	2.50000
The application of the human resources system will expose the highest performance employees and make the management able to have better decision when it comes to employees.	17.430	94	0.043	2.45556
The application of the human resources accounting system in the company will retain big ability of management correct decision on the long run.	8.0988		0.020	2.65535

For the statements in the second section, the p value was under ($p = 0.05$), which implies the rejecting of the second hypothesis and accepting the following:

The public holding companies in Jordan are able to use the human resource accounting system successfully.

VI. CONCLUSION

This paper showed the need of the human resource system in the public holding companies in the Hashemite kingdom of Jordan, and by using the quantitative method; the research conducted a survey by a designed questionnaire on managers of selected companies listed in the Jordanian stock market.

The results showed that managers think that there is need for the system, which reflect the opinion and the results of many research papers reviewed in this study. The companies considered in this research are companies of the big and medium size which justify the need of the human accounting system as more human resources there are, the more need for more organizing and considering these resources as they are important in these companies.

The managers showed their concern about the human capital in their companies and that their companies are able and ready to apply it, if there not already applying it in way or another in their companies.

It is important to mention that the results is restricted to the sample of the research , as big number of the small and medium companies in Jordan are not included in this research for time and other conditions which restricted the researcher ability to reach for more managers of more companies listed in the Jordanian stock market.

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