



## A Study on Costing of Human Resource at Co-Operative Bank, Bengaluru

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### ABSTRACT:

Human Resource is one of the important assets to the company. The main success of the organization is mainly dependent on how human resource in the organization is performing. It will be dynamic challenge for the organization to choose the right talent of human resource which facilitates the organization in achieving the targeted goals and the objectives. And, many organizations incur various costs to maintain the best human resource to the organizations smooth functioning.

Human resource costing is the key element of Human resource accounting. Basically, the human resource department is always considered as a cost center to the organization. Where all the cost incurred in the organization will be calculated. Here they mainly focus and emphasizes on the reduction in the cost incurred in the organization regarding various aspects of the company. Cost of human resource is having different types of costing they are taken as one of the main practices of human resource management they are compensation cost, staffing cost, training cost and other cost. Also, the implementation of costing in human resource will be benefit to the organization and as well as it helps the management in taking right decision making in the organization for the future growth of it.

The need for the study is to analyze the human resource costing concept implementation in the co-operative societies. The studies also provide us the data about the employee's viewpoint of the human resource costing.

*Key Words: HR Costing, Co-operative Bank.*

### Introduction:

Human resource management has different functions involved in it and they examine various HR processes that will be concerned with the attracting, managing, motivating and developing employees for the benefit for the organization.

It is also one of the operations which helps to maximize and improve the performance of the employees in order to achieve organization's goal and also goals of individual in the workplace.

It also includes the assessment of employees through performance appraisal, proper compensation, benefits, encouraging for the work done, maintaining the proper relation with the employees, providing the proper health benefits, medical facility by adhering to the labor laws and other laws related to it.

In costing of HR, the manager must be very cautious in spending a single penny on their Human Resources in their organization. And these should be compared with other expenses they incurred and they accurately obtain the report regarding the expenditure made on Human assets of the company. It is very necessary process to obtain an accurate expenditure on each and every thing related to Human Resource.

*According to Flamholtz (1999), cost is a sacrifice incurred to obtain some anticipated benefit or service. This means that all cost has an "expense" and an "asset" component. This is what Human Resources accounting is all about: measuring the expenses and asset components of cost.*

Why to measure Human Resource Cost:

- Monitor departmental costs- basically the departmental cost is not precise to the Human Resource department and it specifies that every manager must focus on each cost incurred in every level of department. This also requires a budgeting in order to get the accurate cost incurred and the report prepared out of it. The same report should be submitted to the management at the end of every year.
- Measure impact and overall success- this shows that Human resource cost will decrease the efficiency of Human Resource effectiveness in case the Human Resource cost increases. And the main reason for the success of the organization is dependent on the efficiency and it also helps in achieving the organizational goals through efficiency. so, every organization should be very careful in calculating the cost incurred

in each activity and work. So, it has been proven that accurate measurement of human resource cost will increase the efficiency of the human resource in a particular organization.

- Predict future cost- the third reason is to measure the Human Resource cost is to predict the future cost will be incurred by the organization. It can be basically related to the cost incurred to the recruitment of the candidates required by the company. It will help them to cut the cost which will be a burden to the management.
- HR Costing to calculate ROI- Return on investment is very important for specific programs to be implemented to the welfare of the employees. And it is very important to develop the cost of data. It is also said that it is very necessary to economic progress of the company. It has been said that determining the direct cost is very easy, but determining indirect cost related to the human resource is more difficult for the company to obtain. To maintain the real return on investment the cost must be correct and very accurate.

### ***Classification of Human Resource Cost***

- Fixed vs. variable HR Cost- fixed cost is fixed in nature and it is a cost incurred by various business and organization. It is not flexible in nature like variable cost and it remains even in the changes of the production and various costs. And it also said that the company can earn Revenue Company should break even means the organization must work very harder. Coming to variable cost is an organization cost that is related to the production of the company. These will be always increases and decreases and it will vary from the organization to organization. So, it is better to compare the difference between the fixed cost and variable cost.
- HR opportunity cost and savings- it is a possible gain or profit that can be recognized. To compute these costs the company should note all the expenditure incurred by the organization and they also should note all the activities conducted to the welfare of the employees working in the organization. It also must concentrate how the cost can be saved by implementing various methods.
- Behavioral Human Resource costing- it is a cost which must be include the employees output and their work. And it is calculated for the individuals and as well as group of employees in the organization. It has been said that many organizations does not follow this type of cost and they do not want to measure and how they are accountable for the people and how they manage.
- Human Resource Costing without benefits- Human resource costing is very essential for each organization to manage the various costs incurred. many organizations focus on too much reduction and it focuses on efficiency of human resource in the organization.

### ***Need Of Human Resource Costing:***

- ✓ Human resource costing is been used for the success of the organization and as well for the positive progress of the organization.
- ✓ It provides the data regarding the cost incurred on Human resource and their efficiency in the organization.
- ✓ The accounting and costing can be maintained with the help of implementing the Human Resource costing in the organization.
- ✓ It shows the different methods cutting the cost incurred regarding the Human asset in the organization and their efficiency ad as well as helping in better decision making.
- ✓ It gives the accurate return on investment.

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### **Review of Literature:**

Alnasser Nabil Mahmoud et al.,(2014), the research paper is about the analyzing the role of HR costing in building the actual HR costing system in the organization. This includes various cost of human resource that is essential in satisfying the investors and management in terms of following the best human resource practices in the organization. It can be done through proper utilization of human resources, budgeting the human resource acquisition, decision making, assigning various tasks to employees, conservation of employees, reward and recognition, current practices of HR policies and procedures etc. through these above practices the management can reduce the excess cost incurred and they can avoid wastage of any resources.

Bassey et al.,(2012), here the authors explain that human resource costing plays a major role in expensed human resource in the various corporate management's productivity. In this research they have identified that in today's fast growing economy human resource are one of the main competitive advantages to many corporates. Without human resource the organizations cannot survive in the market which can be done through incurring some basic HR cost which may include such as recruitment, selection, screening, training and skill development programs and various reward system, formulation of new policies and procedures etc. which is very important to the success of the corporate.

Ulf Johanson et al.,(nd), here the paper explains that how Human resource costing is necessary for every organization that helps them in proper decision making with the help of proper investment, transparency in accounting, results or outcomes in maintaining the records. Even it has been proven that many organizations have implemented the costing models in order to manage the human resource in the workplace and these models have helped the organizations in decision making, learning from investors, employees. And these created positive attitude towards the implementation of human resource costing in work environment.

Ifurueze Meshack S. Ph.D et al.,(2014), here the authors had explained that cost of human resource is containing two components they are expense and another one is investment and also they treat their human resource costing as an expenditure in their income statement. They also tell that human resource costing will make large impact on the profitability of the organization as it has various expenditure related to human resource in the organization and it is disaggregated as revenue expenditure, capital expenditure both will also impact the relationship between human resource costing and profitability.

Gürhan Uysal et al.,(2016), here they say that human resource costing is a part of human resource accounting and the information of the same can be used for the future purpose by leaders, executives and also by the organization. Here the cost of human resource is having different types of costing they are taken as one of the main practices of human resource management they are compensation cost, staffing cost, training cost and other cost. Also, the implementation of costing in human resource will be benefit to the organization and as well as it helps the management in taking right decision making in the organization for the future growth of it.

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### **Statement of the Problem:**

As Human Resource is very important to every organization and it is very essential in smooth functioning of any organization. Human Resource always consist various costs or expenses involved in it and it always been a challenge to the organization in managing the costs incurred on them. The problem is that managing and controlling the costs can be done through implementing the proper Human Resource techniques which creates the cost advantage to any organization.

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### **Scope Of Study:**

The scope of the study is to consider about the co-operative societies in Bangalore & understand the concept awareness in the mentioned sector.

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### **Objectives:**

- To understand the employee's viewpoint of implementation of Human Resource costing in the workplace.
- To assess the costing factors as a part of employee's management in the co-operative society.

### **Sampling:**

- This study uses domain sampling
- With the samples chosen, tests are constructed by randomly selecting a specified number of measures from a homogeneous, infinitely large pool. A sample of items is reliable to the extent that the score it produces correlates highly with these true scores.
- All the 69 employees of the departments will be chosen as respondents for the study.
- Primary Data- Data will be collected using structured questionnaire. The respondents will be the employees of the company.
- Secondary Data- The data that is available from the books, journals and websites, brochures, and information material.

### **Tools For Data Analysis:**

- IBM SPSS Version 20 software will be used to analyze the data obtained from the structured questionnaire.
- Chi square tests, regression, correlation, and ANOVA are used.
- Graphical representation is adopted which represents the percentages of respondents.

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### **Limitations:**

- The study is limited to only the co-operative society.
- Due to the time constraint, it was only limited to the co-operative society in collecting the samples.
- The study is limited to the restricted valuation.
- Lack of interest and knowledge during the collection of response from the respondents.
- Lack of knowledge about the concept as it is very new to the organization.
- Adopting the new concept may be expense to the organization.

### **Hypothesis:**

H<sub>1</sub>: There is significant relationship between Human Resource Costing and retirement benefits variable.

H<sub>2</sub>: There is significant relationship between Human Resource costing and organizational factors.

H<sub>3</sub>: There is significant relationship between Human Resource costing and Acquisition cost.

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### Data Analysis and Interpretation:

#### Chi-Square Tests

Human Resource Costing and retirement benefits

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.919 <sup>a</sup>	16	.024
Likelihood Ratio	21.420	16	.163
Linear-by-Linear Association	2.062	1	.151
N of Valid Cases	112		

Result:H<sub>1</sub> is accepted with the p value of 0.24

Human resource costing and organizational factors

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.285 <sup>a</sup>	16	.050
Likelihood Ratio	33.189	16	.007
Linear-by-Linear Association	.026	1	.872
N of Valid Cases	112		

Result:H<sub>2</sub>is accepted with the p value of 0.50

Human Resource Costing and valuation of HR Cos

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.421 <sup>a</sup>	16	.202
Likelihood Ratio	27.694	16	.034
Linear-by-Linear Association	.038	1	.845
N of Valid Cases	112		

Result: H<sub>3</sub> is not accepted with the p value of 0.202

**Correlation**

		Organizational factors	Valuation of HR Cost	Retirement Benefits
Human Resource costing	Pearson Correlation	.005	.019	.046
	Sig. (2-tailed)	.956	.840	.628
	N	112	112	112
External Recruitment cost	Pearson Correlation	-.017	.009	.054
	Sig. (2-tailed)	.857	.926	.574
	N	112	112	112
Acquisition cost	Pearson Correlation	.009	-.166	.112
	Sig. (2-tailed)	.925	.080	.238
	N	112	112	112
Organizational factors	Pearson Correlation	1	.392	.334
	Sig. (2-tailed)		.000	.000
	N	112	112	112
Valuation of HR Cost	Pearson Correlation	.392	1	.350
	Sig. (2-tailed)	.000		.000
	N	112	112	112
Retirement Benefits	Pearson Correlation	.334	.350	1
	Sig. (2-tailed)	.000	.000	
	N	112	112	112

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

Inference:

- As per the above table there is positive correlation between human resource costing and organizational factors.
- The correlation among human resource accounting and valuation of HR Cost, retirement benefits is also positively correlated.

Regression

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.181	5	2.036	.225	.951 <sup>b</sup>
	Residual	959.534	106	9.052		
	Total	969.714	111			

Inference:

Significance in the table is 0.951 which the reason that null hypothesis is rejected.

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.102 <sup>a</sup>	.010	-.036	3.00869	.010	.225	5

Inference:

In the above table the adjusted R square is -0.036

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.896	2.592		6.133	.00
	External Recruitment cost	-.018	.102	-.017	-.174	.86
	Organizational factors	-.008	.082	-.010	-.097	.92
	Retirement benefits	.053	.087	.066	.615	.54
	Acquisition cost	-.086	.093	-.092	-.920	.36
	Valuation of HR Cost	-.013	.095	-.015	-.134	.89

#### Summary of Findings

- The major findings of the study are that most of the employees are neutral about the valuation of HR Cost and internal recruitment cost and HR cost.
- Another finding is that most of the employees have disagreed with the safety expenditure, developmental training and improvement programs for employees along with the implementation of human resource costing in the organization.
- From the findings it has got to know that external recruitment cost, retirement benefits, organizational factors is accepted in the chi square test.
- Internal recruitment cost and acquisition cost have impact of implementing the human resource cost.
- Through this study it has been found that some of the employees in the organization that safety expenditure and other related factors slightly impacts the implementation of human resource cost.

#### Conclusion

Human resource costing is the new concept in this business world and it is a key component to the Human resource accounting. So, it is very important to the organization in implementing the human resource costing in order to cut down the cost.

The organization performance and also the employee performance can be improved with implementing the various methods. And there is a need for the implementation of the new concept called HR costing. This shows that various organizations are yet to implement the concept in order to maintain the financial data and cost in a proper manner and to cut down the unnecessary cost.

#### Suggestions to The Organization

- ❖ The researcher wants to suggest that organization should understand the mindset of the employees before implementing the system.
- ❖ The company should take the advice of expert before implementing the system in the organization.
- ❖ They also suggest that company should assess the risk of implementing the human resource costing in the organization as it is a new concept to the organization.
- ❖ Organization should give some training to employees regarding the human resource cost program.

- ❖ Organization should provide some of the improvement programs to the staffs working in the system and they should also know the knowledge regarding the human resource costing subject.

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