THE IMPORTANCE OF HR PAY ROLL PROCESS IN ORGANIZATION

Dr. N. Bhaskara Rao

Principal,

Sri Indu Institute of Management, Hyderabad

Email id: dr.bhaskararao19465@gmail.com

ABSTRACT

The main objective is to know the payroll software's used in the organization and the roll of HR in payroll.The secondary objectives of this study are , To understand the HR roll in Payroll, To review the effectiveness of the Payroll process of the company, To find about the software's used in Payroll process and satisfactory level of employees using this software's ,To analysis whether these software's are user friendly, To suggest the Latest Software's in achieving organizational objective.

This study has been compiled with the help of primary data and secondary data. Primary data were collected from 50 respondents with the help of structured interview and Observation method. Since the study was the Population Study, the data were collected from all the employees in the payroll department. The Secondary sources of data were collected through company profile, organization Website and other related library books.

The collected data were analyzed with the help of *Simple Percentage analysis, chi-square and one sample run test.* It was found that there is no regular training program conducted and majority of the employees were satisfied with the existing software used. To conclude the existing software used was very good.

KEY WORDS: HR Pay roll, Pay Roll Process

INTRODUCTION

Payroll is the process by which employers pay an employee for the work they have completed. Any business with employees should have a payroll process established; payroll is often the largest expense for a business. An effective and efficient payroll process will ensure that employees are paid accurately and consistently, keeping them satisfied with this aspect of employment and allowing HR to focus on other areas.

Payroll seems simple at its core, but becomes complicated because of the various deductions that come into play. Employers must withhold taxes from each paycheck and make sure accurate funds are paid to the correct government agency. Employers may also be responsible for deducting and paying premiums for insurance and depositing funds into retirement accounts or to selected charities.

Payroll processing duties can create a huge burden and unwanted stress for small business owners and can be overwhelming for large businesses. A missed deadline or incorrect filing of taxes can result in

fines or jail time. To avoid these issues, small, middle-sized, and large businesses can all benefit from using payroll systems.

What is a Payroll System?

A payroll system is software designed to organize all the tasks of employee payment and the filing of employee taxes. These tasks can include keeping track of hours, calculating wages, withholding taxes and deductions, printing and delivering checks, completing direct deposit, paying premiums to insurance carriers, and paying employment taxes to the government.

Payroll software often requires very little input from the employer. The employer is required to input employee wage information and hours—then the software uses the information to perform calculations and deduct withholdings automatically. Most payroll software is automatically updated whenever a tax law changes and will remind employers when to file various tax forms.

Effective software systems contain two basic systems operating in conjunction: an evaluation system and a feedback system. The main aim of the evaluation system is to (if any). This gap is the shortfall that occurs when performance does not meet the standard set by the organization as acceptable. The main aim of the feedback system is to inform the employee about the quality of the software provided by the organisation. (However, the information flow is not exclusively one way. The Technology team also receives feedback from the employee about software problems, etc.)One of the best ways to appreciate the purposes of performance appraisal is to look at it from the different viewpoints of the main stakeholders: the employee and the organization.

Employee Viewpoint

From the employee viewpoint, the purpose of software used to calculate payroll process in four-fold:

(1) Tell me what you want me to do

(2) Tell me how well I have done it with software used in the organisation

(3) Help me improve my software skills

(4) Reward me for doing well.

Organizational Viewpoint

From the organization's viewpoint, one of the most important reasons for having a software is to establish and uphold the principle of accountability.

For decades it has been known to researchers that one of the chief causes of organizational failure is "non-alignment of responsibility and accountability." Non-alignment occurs where employees are given responsibilities and duties, but are not held accountable for the way in which those responsibilities and duties are performed. What typically happens is that several individuals or work units appear to have overlapping roles.

The overlap allows - indeed actively encourages - each individual or business unit to "pass the buck" to the others. Ultimately, in the severely non-aligned system, no one is accountable for anything. In this event, the principle of accountability breaks down completely. Organizational failure is the only possible outcome

In cases where the non-alignment is not so severe, the organization may continue to function, albeit inefficiently. Like a poorly made or badly tuned engine, the non-aligned organization may run, but it will be sluggish, costly and unreliable. One of the principal aims of performance appraisal is to make people accountable. The objective is to align responsibility and accountability at every organizational level.

OBJECTIVES OF THE STUDY

PRIMARY

✡   To know the roll of HR in payroll and the payroll software's used in the organization.

SECONDARY

✡   To understand the HR roll in Payroll.

✡   To review the effectiveness of the Payroll process of .

✡   To find about the software's used in Payroll process and satisfactory level of employees using this software's

✡   To analysis whether these softwares are user friendly.

✡   To suggest the Latest Software's in achieving organizational objective.

RESEARCH METHODOLOGY

RESEARCH DESIGN:

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

EXPLORATORY RESEARCH:

Exploratory research focuses on collecting data using an unstructured format or informal procedures to capture data and to interpret them. It is often used to classify the problems or opportunities and it is not intended to provide conclusive information from which a particular course of action can be determined.

SAMPLING DESIGN:

A sample design is a definite plan for obtaining a sample from a given population

POPULATION:

The employees of the organization will constitute the entire population. Here the entire population is considered for my study because the population is limited.

3.3 DATA COLLECTION:

Data is recorded measure of phenomena. While deciding about the method of data collection, the researcher should keep in the mind about two types of data. They are, Primary Data and Secondary Data

Primary data

Primary data represent the first hand raw data that have been specifically collected for the current research problem. Primary data are raw, unprocessed and yet to receive any type of meaningful interpretation. Sources of primary data tend to be the output of conducting some type of exploratory, descriptive or casual research.

DATA COLLECTION:
OBSERVATION, INTERVIEW
Directness of the observation

Based on the directness of observation, it can be grouped as direct or indirect. Direct observation happens when the observer is physically present and monitors while the event is taking place. This is highly flexible as the observer can decide what to observe, how much time to spent on observation of an aspect, when to shift focus etc. The observer may feel bored or frustrated by constantly being on the watch and may tend to lose focus. This might reduce the accuracy and completeness of the observation. Another weakness is that the observer may be overloaded when the events takes place quickly which cannot be kept track of or recorded.

Secondary data

The secondary data is the historical data previously collected and assembled for some other research problem. Secondary data can be usually gathered at faster and economical manner than the primary data. However the data may not fit in the researchers information need. The secondary data can be obtained from the libraries, website, published as well as unpublished documents etc.,

Sampling methodology and procedure

Non-probability sampling the research finding cannot be generalized and the sampling error cannot be assessed. The findings are limited to the sample, which provided the original raw data. However non-probability sampling may be the only choice in case where the population cannot be ascertained.

SAMPLING TECHNIQUE:

PURPOSIVE SAMPLING

A purposive sample is a non-representative subset of some larger population, and is constructed to serve a very specific need or purpose. A researcher may have a specific group in mind, such as high level business executives. It may not be possible to specify the population -- they would not all be known, and access will be difficult. The researcher will attempt to zero in on the target group, interviewing whomsoever is available

Sample size

The sample size for the given project is 50.

Period of study

The study period taken for this project is 4 month.

Tools Used

Simple average

 Chi square test

One sample run test

MAJOR DUTIES OF HR:

Ensures timely and accurate preparation of all Institution payroll operations and works closely with the Human Resources Office to ensure that payroll actions are in conformance with employment and benefits practices and accounting procedures

- Oversees preparation of all federal and state payroll tax reports, including quarterly and year-end returns; determines taxability of non-wage payments and serves as in-house contact for technical tax compliance issues, including tax liabilities of foreign nationals.

- Interprets Institution employment policies and government regulations in connection with payroll activities and makes recommendations on modifications to senior management as appropriate.

- Handles federal and state agency audits and maintains close contact with ITI and other regulatory agencies to ensure that the Institution has accurate information and is in compliance.

- Maintains all payroll records, reports, computations and audits, including periodic internal audit tests of labor utilization; works closely with internal and external auditors to ensure compliance with relevant tax laws and government regulations.

- Interfaces routinely with Human Resources on employee benefits issues (deductions, retirement payments, etc.) to ensure timely and accurate processing.

- Works closely with Management Information Systems on developing payroll applications that ensure internal controls and facilitate the implementation and maintenance of payroll and HR master files.

- Provides periodic analysis of payroll and disbursement records to ensure that adjustments are in accord with management's criteria.

- Supervises Payroll Office staff and operations; provides on-going assistance to Institution employees in tax-related payroll matters.

- Participates in business re-engineering activities to support the establishment and integration of electronic information processes and principles at the Institution.

- Performs other related duties as the supervisor may deem necessary.

Payroll Methodology

- SAP-source is a software-Talent payroll service provider which can take best of the

- Available software to suite client need.

- We can use any payroll software with strong methodical service orientation.

- To believe sensitive activity like payroll service is more important than the tool used.

Execution Objective

- To build methodical & service oriented approach in execution of Payroll as it is a sensitive activity and needs to be executed,

- Timely & consistently

- Correctly to the last detail

- To Fulfill statutory obligations/compliances

- To give complete picture every month to management and employee

- Supportively & predictably

- Methodical structured approach to payroll outsourcing

- To help us asses, Analyze and to Build solid execution

Four Stages

- Analysis stage –documenting the details gathered.

- Transition stage - preparation

- Pilot stage – verification

- Production stage

Stage-I: Analysis

- Understand client business

- Alignment of outsourcing strategy with the corporate strategy

- Assess requirement

- Review environment

✿   Confirm viability

✿   Identification of an outsourcing champion

✿   Establishment of clear timelines around the

✿   outsourcing initiative

Stage-II: Transition

✿   Team mobilization (technology & domain)

✿   Training in tools and procedures if required

✿   Hand-over of responsibility to our team

✿   Establishing necessary set-up

Stage III : Pilot

✿   Data collection and entry in the D/B

✿   One time data

✿   Company & employee

✿   Monthly data

✿   Data in between the months

✿   Data validation with the client

✿   Verify per the checklist, if we have received the monthly data in complete

✿   Enter the data in the salary processing software

✿   Data entry validation

✿   Generate salary working and send 'variance' & 'monthly' report to customer for verification

Stage IV : Execution

✿   Monthly: (pdf file over the email)

✿   Salary slip to the employee with leave balance & to date fig.

✿   Consolidated report to the management

✿   Note to the Bank for disbursement of salary

✿   Monthly tax deduction statement

✿   Monthly PF/Society contributions

✿   Projected Income tax working for the year Annually/Quarterly

✿   MIS

✿   Quarterly tax return documents to company and to employee

✿   Salary certificate to the employee

✿   Attending to the call of the employer/employee on specific issues

Payroll Back Office

Scope of services

✿   Maintenance and updating of employee information sheet / salary register

✿   Calculation and preparation of monthly salary sheets.

✿   Calculation and deduction of statutory deductions like Provident Fund,

✿   Profession Tax, Income Tax etc as and when they are applicable.

✿   Calculation of withholding tax, statutory and non statutory deductions

✿   on salary.

✿   Monthly pay-slips to employees

✿   Quarterly IT report to employees

✿   TDS CERTIFICATES

✿   Issue Form 16 to all employees

✿   TDS RETURNS, Filing of quarterly salary E-TDS returns

Why Payroll software used in the organisation?

Payroll System

Problem Statement

The study specifically seeks to answer the following problems in manual payroll process:

   • Speed in processing payroll tends to be slow.

   • Prone to mathematical errors that could consume much time than it should and could cause financial or legal trouble.

   • Tallying of time cards is done manually.

   • Time consuming in double checking the consistency of all the reports.

   • Difficult and time consuming in keeping up-to-date in taxes and other deductions.

   • Storage of files is susceptible to be damaged as well as lost of data.

Significance of Study

   • Speed in processing payroll will have a faster performance by means of decreasing the manual input areas.

   • Mathematical errors will be prevented by automatic computations that the proposed system will provide and you may not have to worry about having financial or legal trouble.

   • Tallying of time cards will be done automatically by including a computerized employee log-in system in the proposed system which will be responsible in computing the time the employee worked.

   • The proposed system will record all data in all reports at the same time so you can make sure they are consistent and it also saves time.

   • Employers will never have to spend much time in keeping up to date with taxes and deductions because the system will be designed updated to such deductions.

   • Storage of files will be safe and secured with "username and passwords" and can easily be

accessed.

Scope and Limitation

After several interviews and observations, the researchers have come to identify how the payroll works. The aim of the research is to provide a specific school, Hillcrest Baptist Academy, a computerized payroll system. The proposed system will guide the employer through all the stages of the process.

The system can only do the following:

• Compute monthly net income, PAG-IBIG, Withholding Tax and other deductions

THE PROBLEM AND REVIEW OF RELATED LITERATURE

As computer technology changes at such fast phase, many businesses sectors try to cope up by upgrading computer system constantly in order to stay competitive. The multi function ability of technology for its advance system is also an important factor for a company to use software. It makes efficient use of the advance technology and has ambition to discover more.

Computers have the great impact on the profession of accounting. With the rapid growth of technology today, there is no doubt that computer will become a common asset in all profession.

The program also allows the monthly payroll schedule to be calculated accurately. Just by having all employees info like name, working hours, wages etc to enter in the database. Therefore, payroll can be done with the guide of the program. The system is good in for its specialty in the fields of accounting. It is easy to use, effective and efficient in organizing and calculating the payroll.

In addition, this study aims to develop a reliable and manageable computerized payroll system for a better manageable of a business. The Proposed Computerized Payroll System will give a big relief of the employee and employers as well.

HOW THE INPUT PROVIDED BY THE CLIENT

Story provided by the client was as follows:

"You are to design and implement a payroll system that should accept employee hours worked, compute net pay and record all the payroll data for subsequent processing. The system should prepare pay cheques and a payroll ledger, and maintain data on a sequential payroll file. Non-statutory deductions such as union dues and pension plans to be made.

"The payroll data are employee number, employee name, pay rate, and union member flag.

The year-to-date total should contain earnings, federal tax, pension plan, and union dues"

To accomplish these tasks, we had to meet with the client to find out exactly what the program is meant to do. Here are the sub stories that we were able to get from the client:

☐ The program accepts employee hours worked

☐ The program computes net pay

☐ The program record all the payroll data for subsequent processing

☐ The program should prepare pay cheques

☐ The program should prepare a payroll ledger

☐ The program should maintain data on a sequential payroll file

☐ Non-statutory deductions such as union dues and pension plans to be made

☐ Year-to-date total should contain earnings, federal tax, pension plan, and union dues

☐ Payroll data are employee number, employee name, pay rate, and union member flag

Terminology Definition

This section gives a definition and explanation of some of the terms used in the project:

Employee Data: This is the employee's information in the company. It consists of the employee identification number, employee name, pay rate, pension plan flag, and union member flag.

Payroll Records: The payroll records are used to store each month's hours worked, and the rates for that month.

Rates: Rates consists of the percentage that would be deducted from the gross pay depending on union membership status, pension plan, state and federal tax. Each employee can have a unique hourly rate.

Payroll Ledger: This is a table that shows the calculated pay of employees and the month in which they earned the pay. The ledger can be filtered by name, identification number, year and month.

Hours Worked: This is the number of times that an employee work in a month. The hours worked is used to calculate the pay that an employee will receive for that month.

Net Pay: The net pay is the final salary amount that would be given to the employee after all the deductions are subtracted from the gross pay. The deductions include among others taxes, union member dues and pension plan.

Gross Pay: The gross pay is the amount that the employee earns before the deductions are subtracted.

Deductions: Deductions are made up of taxes, union membership dues, pension plan. They are subtracted from the gross pay to give the net pay which is the employee's final pay for the month.

Taxes: The taxes consists of the state dues and federal dues. A percentage of the employee's salary goes to state and country.

Union Membership Dues: This is meant for employee's that are union workers in the company. They get to pay a percentage for union dues. An employee can be a union member and later change status to be a non-union member.

Pension Plan: Employees that opted to use the pension plan of the company get to pay a particular percentage of their pay in preparation for their retirement.

Payslip: These are similar to pay cheques. They allow the employee to have his or her pay printed out on paper so that they can cash it.

Year-To-Date Total: The year-to-date total is the summation of all the previous earnings till the month before the current month.

REVIEW OF TECHNOLOGY TEAM TO MEET CLIENTS REQUIREMENTS:

The client knows how far Organisation software is coming and knows what to except at one particular time or the other. The software is built exactly the way the client wants it to be built.

 Project Deliverables

We met with our client on a few occasions to show our progress so far. In the long run, showing the client part of the finished product in stages helped. There were a few things he brought to our understanding and we were able to change those things. If we had waited till we finished the coding, we would have found it really difficult to correct the errors we found in such a short time.

The graphical user interface was acceptable to the client at this stage even though he thought we could improve on it with a little more time. From our project deliverables, the client was able to bring to our understanding that the employees should have different pay rates and that it would be safe (for record purposes) to calculate the employee's year-to-data total salary earnings. These observations were later incorporated into the final deliverable.

Software development practices adopted in.

☐ Extreme Programming to build the software.

☐ The **whole team approach** in which the client was involved throughout the software development.

☐ **simple designs** which were as simple as the current functionality allowed by the system.

We first began with very simple design which is incrementally improved.

☐ **Continuous integration** was also used where each code was compiled run and tested before adding to the system after which the system must meet all the criteria

☐ The most important practice adopted was **pair programming**. The technology team paired up with members of the payroll team and each team met at various times to code. After each pair coded, they made sure they tested and compiled it, then added it to the main system which they sent to the other group members.

DATA ANALYSIS

Statistical tool applied:

CHI-SQUARE TEST

	Satisfied	*Dissatisfied*	*Neutral/pass*	*Total*
Yes	*38*	*2*	*1*	*41*

No	7	1	1	9
Total	45	3	2	50

S.no	Oi	Ei	$(Oi-Ei)^2$	$\dfrac{(Oi-Ei)^2}{Ei}$
1	38	36.9	1.21	0.0327
2	2	2.46	0.2116	0.0860
3	1	1.64	0.4096	0.2497
4	7	8.1	1.21	0.1493
5	1	0.54	0.2116	0.39185
6	1	0.36	0.4096	1.1377
Total	50	50		2.04775

CALCULATION:

Degree of freedom (m-1)*(n-1)=(3-1)*(2-1)=2

Tabulated value of D.F=2 @ 5% level of significance is 5.991.

Therefore Ho is accepted because the calculated value is less than tabulated value.

Hence there is no significant difference between observed frequency and the expected frequency.

Hence the software used in talent pro is good.

One Sample Run Test

YYYYNYYYYYYYYYYNYYYYYYNYYYYNYYYYYNYYYYYYYYYYNYYYYNYYYYYNNYYYYYYN

r=no. of runs= 14

no. of Y= 41

no. of N= 9

Ho: The software is effective and accept at random in sequence.

H$_1$: The software is not effective and not accept at random in sequence.

sE9r) = 2(41) (9) + 1

        41+9

      = 15.76

S.E (r) = √ 2(41) (9) [2(41) (9)-41-9]

          (41+9)^2 (41+9-1)

           = 2.0358

Z= r- E(r)

  S.E(r)

= *14-15.76*

   2.0358

     = [-0.8645]

Z$_{5\%}$ for degree of freedom ∞ = 1.96

     0.8645 < 1.96

So, accept H$_0$

Hence the software is effective are accept at random in sequence

RESEARCH FINDINGS

1.   The effectiveness of the existing software system in the organization is measured by using the following variables,

- ➢   Software (sap)
- ➢   Import of data in software
- ➢   Software calculation
- ➢   Accept & implement change
- ➢   Flexibility
- ➢   Company policies
- ➢   Education &Computer Skills
- ➢   Client Relation.

❖ 78 % of the Employees are satisfied by the software and we need to more focus on the 4 % dissatisfied and 18% not yet responded.

❖ Among 50 employees 90 % of the employees are satisfied with the software system helps for future growth that they had improved themselves after the program. 10 % of the employees are not satisfied with software system helps for future growth.

❖ 90 % of the Employees are satisfied by the software and we need to more focus on 10% not yet responded.

❖ 70 % of the Employees are satisfied to meet the clients requirements and we need to more focus on 30% of employee

❖ 76 % of the Employees are satisfied with the calculation and we need to more focus on 24% of employees dissatisfied.

❖ 60 % of the Employees are satisfied by the delivery and we need to more focus on the 10% dissatisfied and 30% not yet responded

❖ 40 % of the Employees are satisfied by the software version and we need to more focus on the 10% dissatisfied and 50% not yet responded

❖ 94 % of the Employees are satisfied by the service provided for the software complaints and we need to more focus on the 6 % dissatisfied.

❖ 96 % of the Employees are satisfied by the software development and we need to more focus on the 4 % dissatisfied.

❖ 84 % of the Employees are satisfied by the clients input records and we need to more focus on the 16 % dissatisfied.

❖ 60 % of the Employees are satisfied by the software training and we need to more focus on the 40% dissatisfied with training.

❖ 90 % of the Employees are satisfied by the re-engineering and we need to more focus on the 10 % dissatisfied.

❖ 100 % of the Employees are satisfied by the organization maintains all reports according to government norms.

❖ 92% of the Employees are satisfied by the maintains of client inputs and we need to more focus on the 8 % dissatisfied.

❖ 64% of the Employees are satisfied by the clients HR and we need to more focus on the 36% dissatisfied.

CONCLUSION

➢ The study had confirmed that the company is having a good Software System.

➢ From this study, it is found that majority of the workers were satisfied with Software used.

➢ To make the software system more efficient and excellent, the company should give importance to the clients and create awareness among employees and it shall consider some of the ways and means suggested by the employees like addition of parameters such as short cut for calculation PF,ESI,TAX,Etc,. Dependability and conducting regular training program on the software usage.

➢ I hope that the suggestion given in the report may be implemented in future course for the benefit of the employees and the company.

➢ The company should conduct the similar type of research at regular interval to know the changing softwares and to know about the latest technology like baan software etc..

BIBLIOGRAPHY:

BOOKS

➢ Fisher shoenfelt Shaw-Human resource management-4th edition-macmilan Press limited.

➢ Kothari C.R research Methodology-Methods and techniques (2nd edition)-new age International (pvt) Limited.

REFERENCES

➢ Sasmita Polo-National Journal on Personnel Management-VOL-XXII, No.3, Pg no.16-20

➢ Parveen Ahmed Alan and Mr. Kaushik-Personnel Today-Indian Journal on personnel management-VOL.XXIX,NO.2, Pg No.13-15.

➢ Prof.Bata.K.Dey-Indian Journal on Personnel Management-VOL XXIX-NO.2, pg no. 9-12.

WEBSITES

• www.hvs international journals.com

• www.google.com

• www.citehr.com