CHAPTER - SIX

VALUATION OF HUMAN RESOURCES OF A CHARITABLE UNIT
AS PER LEV-SCHWARTZ MODEL
Introduction

Selfless employees of the welfare organizations who volunteer their labour for the cause of the poor are the fountain of these services rendered to the society. Our problem is to quantify the value of such sources to the entity and to report the same in the annual accounts of the organization. As discussed in Chapter two, there are various models to account for HRs. But all of them cannot be used for our purpose. Some methods require to capitalise the historical cost of recruitment, training and development of HRs, some methods need to determine the cost of replacing existing employees for the purpose. Some other methods aim to calculate the opportunity cost of the services of the existing employees. These methods assume perhaps, that employees are to be selected from a competitive labour market and that the departments within an entity are in competition to use the services of individual employees. But the case in NPOs is quite different because here the employees are selected on the basis of their willingness to volunteer their services for the cause and betterment of mankind. In some other models like economic valuation method, return on efforts employed method, value measurement method and non-monetary method, the extent of expected services, efforts given by individual employees, their earnings for next 5 years, management skill, labour participation etc. are to be quantified. These methods appear logically sound. But measurement of them is too difficult to provide an objective assessment of human resources. They are not even applied to profit seeking organizations. In most of the empirical studies so far done, the Lev-Schwartz model is used. It is so because it is easy to collect data required for the
purpose and it emphasizes on the capitalised value of remuneration payable to the employees. Since salaries are determined through agreements, measurement of HRs value becomes easier. In case of NPOs, it is fact, salaries paid to the employees do not represent the market value of their services. Notwithstanding, market value of these services can be determined through collecting information on the value of the employees providing similar services, in profit seeking organizations. This is why, the study aims to quantify the value of HRs of that organization as per the Lev-Schwartz model.

For this purpose, here a detailed analysis on the Lev-Schwartz model comprising of various variables and the method of deriving information on them have been discussed first. Assumptions taken to quantify the variables and the problems faced to measure them are discussed later on. Subsequently, Balance Sheet, incorporating the HRs value has been drawn. Then, with the help of some ratios proposed in the earlier chapters the financial strength, effective use of resources, extent of achieving the objective of the organization etc. have been appraised.

Lev-Schwartz Model

The value of an employee, according to the authors, is determined by aggregating the present value of the wages and salaries which an employee can earn during his stay with the organization. The measurement of the value of HRs can be done by adopting the following formula:

\[ V = \sum_{t=0}^{\infty} \frac{W_t}{(1+r)^t} \]

\[ V_T = \sum_{t=1}^{T} \frac{I(t)}{(1 + r)^{t-1}} \]

Where, \( V_T \) = The human capital value of a person \( T \) years old.
\( T \) = The year when the employee joins the organization.
\( T \) = The person's retirement age.
\( I(t) \) = The person's annual earnings up to retirement.
\( r \) = A discount rate specific to a person.

For empirical verification, the terms used in the model need some clarification. They are discussed here in brief.

II
Measurement Issues

1. Here 'T' represents the person's retirement age i.e. the age when a person normally retires from his service. As we consider the hospitals and charitable institutions of a welfare organization, for our study, we should consider the retirement age used in government institutions. Here, the employees retire at the age of 60 years. In our study we find the normal retirement age to be 65 years on the ground that aged professional physicians and superannuated people are generally keen to serve these institutions (It is evident from investigation).

2. 'I(t)' represents here the series of annual earnings of an individual up to his retirement. The assumption being that an employee will serve these organizations up to the date of his retirement without any changes in his positions. That means, he will not think of any promotion. The other assumption being, the employees will stick to these organizations. In other words, the possibility of labour turnover or
early retirement and similar factors are not considered here. Here the earnings are based on the pays and allowances as per the government orders.

3. 'r' refers to the discount rate applicable to specific persons. It appears that different rates will be used to discount the salary of the individuals according to the nature of importance of the employed individuals. Here, it is assumed that all the persons are of equal importance to the institution and hence a single rate is used.

Now, the question generally arises, how should we determine the rate of interest for discounting the series of services expected to be derived from the personnel. Here a number of interest rates should be considered for the purpose. For instance, we should include the rates of interest on savings account in a bank on fixed deposits, on public deposits collected by the companies, rate of interest charged by the bank in banking loan, bank discount rate fixed by the Reserve Bank of India etc. In this case, though there are so many alternatives, the rate of interest on fixed deposits with a nationalised bank should be treated as representative because here the risk element is minimum and the liquidity of the investment is not very high (vide page 52).

III

Valuation Process: The valuation process of an individual (here the professional physician) can be described here in brief (vide Appendix VIIc). An example may serve the purpose. Dr. S. Banerjee, who has been serving selflessly R K M B H R hospital, provides 3 effective hours per

2. In India in the period of study this rate was 15%.
day for 6 days a week for attending the patients (like the doctors in the government hospitals). He is approximately of 60 years of age on the date of measuring the value and has 5 more years to render his service. Had he been in State Government health service, his pay at his age, as per the government rules, would have been Rs. 8,557 p.m. and Rs.1,02,684 per year (calculation of total salary of the doctors and attendants are discussed in Chapter Five) (vide Appendix VIIb and VIIc respectively.) By discounting the total salary of Dr. S. Banerjee @ 15% for 5 years the present value of his earnings comes to Rs. 3,44,217 (vide Appendix X ). Likewise, Dr. P. Roynandi, as for another example, provides one effective hour of service per week of 18 effective hours. His imputed earnings per year will be proportionately less because he provides less period of service than Dr. S. Banerjee in the hospital. Accordingly, by discounting his annual earnings from the unit comes to Rs. 4,043 [ i.e. \( \frac{Rs. 6,005 \times 4 \times 12}{72} \) = Rs. 4,043, since his normal salary per month as a whole is Rs. 6,065 [vide Appendix - VIIb & VIIc]. The capitalised value of the earnings will be the HR value of the individual to the organization. The value of the other doctors and attendants engaged in this hospital and charitable unit are determined accordingly. The sum of these values represent the total HR value of the organization [vide Appendix X]. This amount is shown in the Balance Sheet on the assets side as the value of human resource assets to the entity and the same amount is shown as the social equity on the liability side, since society is considered as the owner of such assets [Table - 18].

The balance sheet, both under the traditional accounting system (as presented by the R K M B H R) and also by incorporating the human resource value are shown in the next page.
### Table - 17
**Rama Krishna Mission Boys' Home, Rahara**

**A/c. Hospital and Dispensary**

**Balance Sheet* (Under Traditional System) as on 31.03.1991**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Fund less depreciation</td>
<td>33,119</td>
<td>Building Fund less depreciation</td>
<td>29,442</td>
</tr>
<tr>
<td>Furniture &amp; Equipment Fund less depreciation</td>
<td>12,277</td>
<td>Furniture and Equipment Fund less depreciation</td>
<td>17,142</td>
</tr>
<tr>
<td>Transfer from Rama Krishna Mission General Fund (2,94,472 + 40,021)</td>
<td>3,34,493</td>
<td>Accumulated deficit (2,93,284 + 40,021)</td>
<td>3,33,305</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,79,889</td>
<td>3,79,889</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*(vide Appendix - II)*

### Table - 18
**Rama Krishna Mission Boys' Home, Rahara**

**A/c. Hospital and Dispensary**

**Balance Sheet (as per the proposed model and incorporating human resource value) as on 31.03.1991**

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Funds</td>
<td></td>
<td>Physical Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building</td>
<td>33,119</td>
<td>Building</td>
<td>29,442</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>12,277</td>
<td>Furniture</td>
<td>17,142</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Fund</td>
<td></td>
<td>Monetary Assets</td>
<td></td>
<td></td>
<td>17,93,786*</td>
</tr>
<tr>
<td>Balance</td>
<td>3,34,493</td>
<td>Human Resource Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less:Accumulated deficit</td>
<td>3,33,305</td>
<td>1,188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Equity</td>
<td>17,93,786</td>
<td></td>
<td></td>
<td>18,40,370</td>
<td>18,40,370</td>
</tr>
</tbody>
</table>

*(Vide Appendix X*)
Some Observation

Following points should be kept in mind while studying such statements:

1. Less the proportion of physical and monetary assets, in relation to the value of human resources, more should be considered the possibility of rendering services to the society.

2. The magnitude of monetary assets alone should not be considered here the indicator of solvency. Suppliers of goods or services usually donot treat these balances as to the security of their dues. Hence, these organizations generally hold little balance in this account. In otherwords, whatever is received is utilised for providing services to the society. It is natural expectation that funding agencies will provide resources to meet the dues to the suppliers.

3. The value of human resources is shown in the assets side and its counterpart is shown in the liability side as the social equity of the organization, since the society alone can claim the ownership of such resources.

4. The total value of physical and monetary assets equal to the aggregate of specific and capital funds of the non-profit organization.

5. Donors, it is expected, should donate where the proportion of HRs in relation. to other assets are relatively high. Such organizations are expected to generate greater volume of services and hence that will help the society in a much better way.
Interpretation of the statements (Service and Sacrifice Account and Balance Sheet) through Ratios

Information on HRs of a NPO, particularly in respect to charitable units, may help us in analysing its performance with the following ratios:

1. Position of HR assets in relation to total assets may be known from the following ratio.

   \[
   \text{Ratio of HRs to total assets} = \frac{\text{Value of Human resources}}{\text{Total assets}}
   \]

   \[
   \frac{\text{Rs. 17,93,786}}{\text{Rs. 18,40,370}} = 0.97 : 1
   \]

   Here the ratio is 0.97:1. In other words, physical assets, monetary assets and other conventional assets constitute only \( \frac{1}{32} \)th of HR value. Higher the value of the ratio, greater should be considered the existence of selfless people in the organization for the benefit of the society. The funding agency may consider the ratio as an index of the existence of permanent and valuable source of social services at the disposal of the organization. They should be more generous to an entity which holds high proportion of HRs. In this case it is 97%. If another organization whose HRs constitute less than the proportion and where other things remain the same, the granting authority would not prefer that organization to others for granting funds.

2. Role of physical assets to total assets may be revealed from the following ratio.
The conventional assets represent only 3% of the total of these assets and human resources. In these organizations the performance of HRs are very important, although the role of physical assets can not be oversighted. Higher the value of the ratio, it should be inferred, less the scope of receiving services from HRs. The funding agencies are interested in those organizations which have greater human resources for rendering social services.

3. Intensity of HRs in relating to contributions from donors may be inferred from the following ratio.

\[
\text{Ratio of HRs to donations and grants} = \frac{\text{Value of human resources}}{\text{Annual contribution of the funding and other agencies}}
\]

\[
= \frac{\text{Rs. 17,93,786}}{\text{Rs. 67,386}}
\]

\[
= 26.6 : 1.
\]

Here the ratio is 26.6:1. The ratio may be considered similar to economists idea of capital intensity\(^3\). It is an indicator of the capital value of HRs per rupee of input of donation. Higher the value of ratio, more the value of the people associated with the charitable unit.

4. Effective use of HR capital may be examined through the following ratio.

\[
\text{Ratio of HRs to services rendered} = \frac{\text{Value of Human resources}}{\text{Net value of services rendered to society.}}
\]

\[
= \frac{\text{Rs. 17,93,786}}{\text{Rs. 5,78,485}}
\]

\[= 3 : 1\]

Here the ratio is 3:1. The ratio may be considered similar to economists' capital-output ratio, which indicates the value of HRs per rupee of net services rendered to the society. It is an index of the efficient use of HRs of an entity. Higher the value of the ratio, higher should be considered the efficiency of the employees. In R K M B H R the ratio is 3:1. In other way of speaking, HRs worth Rs. 3 creates social services of Re. 1. If in another case, it is less than the rate of Re.1, it may be inferred that the latter is not as efficient as the former.

5. Rate of sacrifice of employees may be revealed through the ratio of the value of their sacrifice to society to that of human assets of the entity. Here the ratio is as below:

\[
\text{Ratio of Employees' sacrifice to human resources} = \frac{\text{Value of employees' sacrifice to society}}{\text{Value of Human resources.}}
\]

\[
= \frac{\text{Rs. 3,12,181}}{\text{Rs. 17,93,786}}
\]

\[= 0.17 : 1\]

Here it is 0.17:1. It reveals the service rendering capabilities of the employees. Higher the ratio, greater will be the intensity of sacrifice of the employees of the organization. In RKMBHR the ratio is 0.17:1. Another NPO with higher value of this ratio indicate that it has more dedicated people. Hence that organization will attract more attention of the contributors.

6. Organizers' contributions in relation to HR capital can be known from the following ratio.

\[
\text{Ratio of organizers' contribution to HRs} = \frac{\text{Value of organizers' contribution to society}}{\text{Value of human resources}}
\]

\[
= \frac{\text{Rs. 2,06,583}}{\text{Rs. 17,93,786}}
\]

\[
= \text{Rs. 0.12:1}
\]

Here the ratio is 0.12:1. It implies that per rupee of HR capital, approximately 12 paise of social services are created out of organizational activities. Higher the value of the ratio, it should be inferred, greater the capabilities of the organizers. In the unit under study, namely the RKMBHR (Hospital and Charitable unit), of the total volume of sacrifices rendered to the society, the employees contribute the major portion. Notwithstanding, the sacrifice made by the organization itself is not less important. This ratio may be considered an index of organizations' capability in relation to HR capital.

7. Service generating capacity of the assets can be revealed through the following ratio:
Ratio of social service to total assets = \frac{\text{Net service to society}}{\text{Physical assets + Human resource assets}}

= \frac{\text{Rs. 5,78,485}}{\text{Rs. 46,584 + Rs. 17,93,786}}

= \frac{\text{Rs. 5,78,485}}{\text{Rs. 18,40,370}}

= 0.31 : 1.

This ratio may be considered to be similar to the return on investment ratio. Here the ratio comes to 0.31:1. It implies that per rupee of total assets, services worth 31 paise are rendered to the needy. This ratio may be treated as an index of effective use of the assets of the voluntary organization. Higher the ratio, it may be inferred, the more competent is the organization in achieving their objective of rendering services to the society. It can also be assumed that an organization with higher value of this ratio will attract the attention of the donors in times of allocating funds to voluntary organizations.

8. Physical and monetary assets turnover may be ascertained through the following ratio.

Physical and monetary assets turnover ratio = \frac{\text{Net service to society}}{\text{Physical assets + Monetary assets}}

= \frac{\text{Rs. 5,78,485}}{\text{Rs. 46,584}}

= 12.4 times.

With this ratio the donors can evaluate the effective use of the physical and monetary assets in generating services to the society. In R K M B H R these assets may be assumed to provide services which
worth 12.4 times of its value. Although the performance of these voluntary organization basically depends on the competence of the employees and organizers, role of these assets should not be underestimated. When an organization holds larger physical and monetary assets but generates less services, it may be interpreted that the unit as a whole, is not efficient enough in extracting greater volume of services through these inanimate resources.

Some ratios based in HRA

Several other ratios may be drawn to analyse the performances and service rendering capacity of the organizations. A few ratios are designed and discussed below.

1. Return on Investment

\[
\text{Net value of services} = \frac{\text{Physical assets} + \text{HR assets}}{5,78,485} \\
= \frac{17,93,786}{46,584 + 17,93,786} \\
= \frac{5,78,485}{18,40,370} \\
= 0.31 : 1
\]

2. Margin Ratio

\[
\text{Sacrifice by employees and organizers} = \frac{\text{Net value of services}}{5,78,485} \\
= \frac{3,12,181 + 2,06,583}{5,78,485} \\
= \frac{5,18,764}{5,78,485} \\
= 0.90 : 1.
\]
3. **Turnover Ratio**
   \[
   \frac{5,86,150}{46,584 + 17,93,786} = \frac{5,86,150}{18,40,370} = 0.32 : 1.
   \]

4. **Operating Ratio**
   \[
   \frac{42,612 + 24,774}{5,78,485} = \frac{67,386}{5,78,485} = 0.12 : 1
   \]

5. **Efficiency Ratio**
   \[
   \frac{3,12,181 + 2,06,583}{5,78,485} = \frac{5,18,764}{5,78,485} = 0.90 : 1
   \]

6. **Conventional assets Turnover**
   \[
   \frac{5,78,485}{46,584} = 12.4 \text{ times}
   \]

7. **Token salary to net value of services to society**
   \[
   \frac{42,612}{5,78,485} = 0.07 : 1
   \]
8. Human Resource Turnover

\[
\frac{\text{Expenses (excluding salary) to net value of services}}{\text{Sacrifices made by employees to net value of services}} = \frac{5,78,485}{17,93,786} = 0.32 : 1
\]

9. Expenses (excluding salary) to net value of services

\[
\frac{\text{Expenses}}{\text{Net value of service}} = \frac{24,774}{5,78,485} = 0.04 : 1
\]

10. Sacrifices made by employees to net value of services

\[
\frac{\text{Sacrifice by employees}}{\text{Net value of service}} = \frac{3,12,181}{5,78,485} = 0.54 : 1
\]

11. Sacrifices made by organization to net value of services

\[
\frac{\text{Sacrifice by organization}}{\text{Net value of service}} = \frac{2,06,583}{5,78,485} = 0.36 : 1
\]

12. Net value of service to society to physical assets

\[
\frac{\text{Net value of service}}{\text{Physical assets}} = \frac{5,78,485}{46,584} = 12.4 \text{ times.}
\]

13. Net value of service to Human resource assets

\[
\frac{\text{Net value of service}}{\text{Human resource assets}} = \frac{5,78,485}{17,93,786} = 0.32 : 1.
\]
14. Sacrifice by employees to physical assets = \[
\frac{\text{Sacrifice by employees}}{\text{Physical assets}}
\]
\[
= \frac{3,12,181}{46,584}
\]
\[
= 6.7 \text{ times}
\]

15. Sacrifice by employees to human resource assets = \[
\frac{\text{Sacrifice by employees}}{\text{Human resource assets}}
\]
\[
= \frac{3,12,181}{17,93,786}
\]
\[
= 0.17 : 1
\]

16. Sacrifice by organization to physical assets = \[
\frac{\text{Sacrifice by organization}}{\text{Physical assets}}
\]
\[
= \frac{2,06,583}{46,584}
\]
\[
= 4.43 \text{ times.}
\]

17. Sacrifice by organization to human resource assets = \[
\frac{\text{Sacrifice by organization}}{\text{Human Resource assets}}
\]
\[
= \frac{2,06,583}{17,93,786}
\]
\[
= 0.12 : 1.
\]

18. Physical assets to human resource assets = \[
\frac{\text{Physical assets}}{\text{Human resource assets}}
\]
\[
= \frac{46,584}{17,93,786}
\]
\[
= 0.03 : 1.
\]

19. Donation to organization equity = \[
\frac{\text{Donations}}{\text{Organization Equity}}
\]
\[
= \frac{67,386}{45,396 + 1,188}
\]
\[
= \frac{67,386}{46,584}
\]
\[
= 1.45 \text{ times.}
\]
20. Donation to social equity

\[
\frac{\text{Donations}}{\text{Social Equity}} = \frac{67,386}{17,93,786} = 0.04 : 1.
\]

21. Organization equity to social equity

\[
\frac{\text{Organization equity}}{\text{Social Equity}} = \frac{46,584}{17,93,786} = 0.03 : 1.
\]

22. Organization equity to total assets

\[
\frac{\text{Organization equity}}{\text{Total Assets}} = \frac{46,584}{18,40,370} = 0.025 : 1.
\]

23. Organization equity to human resource assets

\[
\frac{\text{Organization equity}}{\text{Human resource assets}} = \frac{46,584}{17,93,786} = 0.03 : 1.
\]

24. Social equity to total assets

\[
\frac{\text{Social equity}}{\text{Total assets}} = \frac{17,93,786}{18,40,370} = 0.97 : 1.
\]

25. Physical assets to total assets

\[
\frac{\text{Physical assets}}{\text{Total assets}} = \frac{46,584}{18,40,370} = 0.03 : 1.
\]
26. Human resource assets to total assets

Human resource assets
Conventional assets + HR assets

\[ \frac{17,93,786}{18,40,370} = 0.97 : 1. \]

Various Groups and the ratios of their interest

Let us point out through ratios the relative efficiency of the contribution of individual groups. For instance, donors are interested in the information of rate of service generated per rupee of their donations, and employees in the rate of services per rupee of their sacrifices. These issues may be pointed out with the following ratios.

27. Ratio of interest
from Donors' angle

\[ \frac{\text{Net services to society}}{\text{Donations \\& subscription}} = \frac{5,78,485}{67,386} = 8.6 \text{ times.} \]

28. Ratio of interest
from employees' angle

\[ \frac{\text{Net service to society}}{\text{Sacrifice by employees}} = \frac{5,78,485}{3,21,181} = 1.85 \text{ times} \]

29. Ratio of interest
from society's angle

\[ \frac{\text{Net service to society}}{\text{Sacrifice by organization}} = \frac{5,78,485}{2,06,583} = 2.8 \text{ times} \]

30. Ratio of interest
from organization view

\[ \frac{\text{Net service to society}}{\text{Total expenses incurred}} = \frac{5,78,485}{59,721} = 9.7 \text{ times} \]

Inter-relations among the ratios may be shown through the pyramid of ratios shown in the next page.
VI

Pyramid of Ratios

Return on Investment

\[
\frac{\text{Net Service to Society}}{\text{Physical assets + HR assets}} = \frac{\text{Rs. 5,78,485}}{\text{Rs. 5,78,485}} = 0.31 : 1
\]

Margin Ratio

\[
\frac{\text{Net value of services to society}}{\text{Sacrifice by employees and organization}} = \frac{\text{Rs. 3,12,181 + Rs. 2,06,583}}{\text{Rs. 5,78,485}} = 0.90 : 1
\]

Turnover Ratio

\[
\frac{\text{Gross Service to Society}}{\text{Physical assets + HR assets}} = \frac{\text{Rs. 5,86,150}}{\text{Rs. 46,584 + Rs. 17,93,786}} = 0.32 : 1
\]

Token salary and expenses

\[
\frac{\text{Net value of service to society}}{\text{Net service to society}} = \frac{\text{Rs. 42,612 + Rs. 24,774}}{\text{Rs. 5,78,485}} = 0.12:1
\]

Sacrifice by employees

\[
\frac{\text{Net value of service to society}}{\text{Net service to society}} = \frac{\text{Rs. 3,12,181}}{\text{Rs. 5,78,485}} = 0.54:1
\]

Sacrifice by organization

\[
\frac{\text{Net value of service to society}}{\text{Net service to society}} = \frac{\text{Rs. 2,06,583}}{\text{Rs. 5,78,485}} = 0.36:1
\]

Gross Service

\[
\begin{align*}
\text{Physical assets} & = \text{Rs. 46,584} \\
\text{Human resource assets} & = \text{Rs. 17,93,786}
\end{align*}
\]

\[
\begin{align*}
\text{Net service to society} & = \text{Rs. 24,774} \\
\text{Net value of service to society} & = \text{Rs. 5,78,485}
\end{align*}
\]

\[
\begin{align*}
\text{Token salary} & = \text{Rs. 42,612} \\
\text{Expenses} & = \text{Rs. 24,774}
\end{align*}
\]
Conclusion

In this chapter a humble attempt has been made to measure the value of people associated with R K M B H R as per Lev-Schwartz model. While applying the model for empirical study certain assumptions are taken into consideration and we have highlighted them in brief. Some other assumptions however may be considered for the purpose of such valuation. Therefore, there lies scope for further research to make the valuation process more logical.

If HRA is introduced, it may be inferred that, information on the relative shares of HRs and other assets, the role of HRs in the organization, the performances of HRs and similar other issues can be derived. In absence of such HR valuation the related information will not be available for evaluating the relative performances of the non-profit organizations. Therefore, these bits of information, in addition to what is derived from conventional accounting system, it is expected, will help in evaluating the position of the organization in the society. More the value of HRs, higher the prospect of rendering services to the society. These bits of information, the author thinks, if supplemented with the traditional accounting reports, will help the different users of accounting information in deciding their allocation of resources among various welfare organizations. Notwithstanding a subjective element present in the measurement process, such a measure can be used to indicate the capabilities of an entity in terms of providing services to the society.