



## Short Communication

# Human Assets to total Assets Ratio of Top Profit Making Companies of India in the Financial Year 2013-14

Rajesh Mehra

Faculty of Commerce and Management, Jagannath University Haryana, INDIA

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## Abstract

*The present economy is knowledge based economy which capitalizes human efforts, efficiency, knowledge, skills, creativity, innovation and ideas. These tools are the major profit making mantra now days. Human efforts in turn are awarded with a number of incentives, awards, benefits, schemes, offers and bonuses in addition to the normal wages, salaries and payments. The monetary and non monetary incentives boost the motivation level of an employee. The total amount incurred on human assets (employees) and the total amount incurred on all other assets, current and non-current, can be compared and a new ratio, called, human assets to total assets ratio may be carried out to see at what extent the top profit making companies are incurring on human assets.*

**Keywords:** Human assets, total assets, economy.

## Introduction

Human assets to total assets ratio is the ratio carried out by dividing the total amount spent on employees of an organization, which includes, wages, Provident Fund, Staff Welfare Expenses or any other expenses on employees in a financial year, to total amount of current and non-current assets of an organization in a financial year. It can also be calculated in percentage by multiplying the result by 100. It has both humane and technical aspect because human assets are of the paramount importance for the success of any organization; these are the wealth of organizations and help in achieving the ultimate objective of any business, i.e. profit. Inputs are processed to get the desired outcomes (profits).

## Material and Methods

**Literature review:** No literature on this topic is available previously as it is a novel concept, except for the research work stated in "Valuation of Human Assets and Its Proposed Position in the Balance Sheet".

## Research Methodology

The research is based on exploring a new financial ratio that has not been calculated or used earlier for any purpose.

Secondary data has been used to carry out the research published in annual reports of the companies and the financial statements of leading newspapers.

**Objective:** To find out the human assets to total assets ratio of top profit making companies of India in the financial year 2013-14, as per Times, ET bureau, 16 Sep 2014, 08.00 A.M. IST<sup>1</sup>.

## Results and Discussion

The list of top 20 profit making companies doing business in India in the financial year 2013-14 as per the survey of Economic Times, ET 500, top 20 profit making companies published in-

ET bureau, 16 Sep 2014, 08.00 A.M. IST has been used here and out of these top 20 profit making companies the ratio is being carried out only for 12 companies because of unavailability of data required for the purpose.

The formula for calculation is given below:

$$\text{Human Assets to Total Assets Ratio in percentage}^2 \\ = \frac{\text{Human Assets}}{\text{Total Assets}} \times 100$$

Total Assets = Current Assets + Fixed Assets/Non Current Assets+ other Intangible Assets (if any)

Human Assets = Manpower Cost

Manpower Cost = Wages+ Provident Fund+ Staff Welfare Expenses+ Other Expenses incurred on employees.

**Findings:** i. Tata Consultancy Services (TCS) has the highest ratio amongst all, ii. Reliance Industries Ltd. has the lowest amongst all, iii. The average ratio is 13.405321, iv. Wipro has the highest amount of total assets Rs. 502304 crore, v. Wipro has the highest amount of human assets Rs. 206815 crore.

**Table-1**  
**Projecting Human Assets to Total Assets Percentage Ratio<sup>3</sup> (%)**

Company (1)	Industry (2)	Total Assets (3) as on 31.03.2014 (Rs. Crore)	Human Assets (4) as on 31.03.2014 (Rs. Crore)	Ratio (5) (%)
ONGC	Oil and Gas	136725.01	10405.053	7.6102046
Reliance Ind. Ltd.	Conglomerate	367583.00	3370	0.916799743
TCS	IT Services	67137.78	28734.49	42.79928529
Coal India	Metals and mining	96934.46	28525.09	29.42719235
Tata Motors	Automotive	49734.42	2877.69	5.786113521
NTPC	Electric utility	179554.18	4767.54	2.655209698
ITC	Conglomerate	40883.93	2504.24	6.125242852
HDFC	Banking	13689.38	234.99	1.716586142
Wipro	IT services and consulting	502304	206815	41.17327356
MTNL	Telecommunication	98.86	12.87	13.01902593
Indian Oil Corporation	Oil and gas	252413.78	6618.97	2.622269672
NMDC Ltd.	Mining	31477	706.20	2.243542904

**Limitations:** i. The research is based on the data available on internet and official websites of the above mentioned companies. ii. The method of valuation of human capital of these companies was not available on web; therefore, amount incurred on staff welfare is taken as the value of human assets

## Conclusion

Human assets are the assets which make efficient and effective use of all other assets in order to make profits for the business. Taking this into consideration a good amount must be incurred on human assets as well to make more profits. The top profit making companies of 2013-14 have spent from 0.9% to 42.7% approximately the amount on employees as compared to total assets.

Organizations also need to provide a good satisfactory working environment to employees because a satisfied employee works harder and smarter if compared to an unsatisfied employee.

This topic is very new and no article, publication, book, periodical is available in this regard so there is a huge scope for

research on this topic, the data analyzed in this research is very limited. The same ratio can be calculated for banks, corporate and all other business entities to find out ideal human assets to total assets ratio. Ideal Current ratio is 2:1, it means to meet a single rupee liability a business should have assets worth rupees two, however it is suggested to all businesses to attain a current ratio higher than 1:1 and as near to 2:1 as feasible. In the same way an ideal human assets to total assets ratio can be calculated.

## References

1. <http://economictimes.indiatimes.com/markets/stocks/news/et-500-top-20-profit-making-companies/articleshow/42538358.cms> 16 September (2014)
2. Mehra Rajesh, Maheshwari Manoj, Meena Krishan Kant, Valuation of Human Assets and Its Proposed Position in the Balance Sheet, *IJEDR* 12(3) (2014) ISSN: 2321-9939
3. Annual reports and official websites of the companies (2014)