

**F-05 : INCORPORATING NATURAL RESOURCE ASPECTS INTO
NATIONAL INCOME ACCOUNTS : THE CASE OF SOIL RESOURCES**

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Inadequacy to represent the long run well being of the society in national income accounts is an unfinished agenda and the concerned parties have proposed various

adjustments. One serious drawback of the conventional accounting system is that there is no mechanism to reflect the natural resource depletion and environmental degradation in the context of economic welfare. Hence, national accounts give wrong signals to policy makers.

The aim of this study was to develop an accounting framework to incorporate natural resource aspects into national income accounts and thereby correcting the national income for environmental and resource depletion outlays. Several approaches have been proposed to incorporate natural resource aspects into national accounts. In this study, soil resource is considered as an example to design the framework for Sri Lanka.

Soil resource is considered as one of the vital natural resources in agricultural production. Hence, its depletion mainly due to erosion, cannot be ignored as the value added obtained from the exploitation of soil resource could be a significant contributor to the GNP of a country. The proposed value added approach suggests that such natural and environmental assets should be treated as a form of "input" used up in the production process.

This study introduces the Resource Balance Sheets for the case of soils in Sri Lanka as they fulfil the score keeping role of the accounting system apart from the managerial responsibilities. The framework proposed in this study would be useful for planning institutions as a planning aid and to other environmentally concerned authorities.