

IARNIW SEMINAR on
2008 System of National Accounts (SNA)
REVISION
26 November 2024

**2025 SNA – Challenges for the Indian System of
National Accounts**

Dr. A.C. Kulshreshtha

President, IARNIW

Former ADG, CSO and Statistician UNSIAP

ackulshreshtha@yahoo.com

Digital Data (capitalized) as Non-Financial Assets

- Recognition of data as produced assets
- Includes information content of electronic data collected and used in production, in the Asset boundary
- Data in non-digital form, is not in the SNA Production measurement of the output
- **Data as non-financial Assets needs to be elaborated in the Indian context**

Digital Data (capitalized) as Non-Financial Assets (Contd.)

- Separate Seminar needed for the topic ‘Data as Produced Asset’-
- Its valuation (Sum of Cost Method)
- Issues: CFC, Return to capital, Impact on GDP and Net Worth

Measurement of Output of Central Bank- Changed

- **Separate Seminar** needed for Data on Measurement of Output of **Central Bank (RBI) and Financial Services**
- Present Advisory Committee on National Accounts Statistics (ACNS) may review the present treatment, deliberate and advise necessary changes

Domestic Product, net of depreciation

Net domestic Product

- Indian National Accounts Statistics (NAS) uses Domestic Product, net of depreciation
- Net domestic Product is adjusted for both depreciation (CFC) and depletion of natural resources
- Estimation of ‘Depletion of natural resources’ may not be feasible just now; Work may be undertaken vigorously in this regard

Renewable Energy Resources

- **Renewable Energy Resources (Harvested)** needs separate discussion in the Indian context-
May be a separate Seminar or Working Group

Accounting for Well-being

- **As a minimum what is needed is: breakdowns based on (current) disposable income and wealth, showing income and wealth decile groups, a median and, if possible, results for the top 5 per cent and the top 1 per cent.-**

Thus, set up Research Studies to start with

General Advice:

Distinction between Tables and Data items

- **Sequence of economic accounts: standard set of accounts and tables**
- **Supplementary tables/items**
- **Extended/thematic accounts/tables**
- **Encouraged tables and accounts more dependent on national and regional priorities**
- **Regional Priorities need special attention**

Accounting for Sustainability

Studies need to be undertaken more vigorously on

- Within the SNA sequence of economic accounts, in addition to recording depletion as a cost of production
- Natural capital as a separate category, including both produced and non-produced non-financial assets
- More detailed breakdowns of non-financial assets and financial assets
- Focus on improving the estimation of natural resources

Accounting for Digitalization

Studies need to be undertaken more vigorously on

- More detailed breakdowns of certain asset categories within IPP: Artificial intelligence classified as part of software and databases: (i) computer software, including artificial intelligence systems; and (ii) data and databases
- Digital supply and use tables encouraged as extended/thematic tables, including extended accounting for “free” services (Facebook, Instagram, TikTok, etc.)
- Breakdowns of subsectors of financial corporations of Fintech-related activities

Accounting for Financial Risks and Vulnerability

Studies need to be undertaken by RBI on

- Non-bank financial intermediation (shadow banking): supplementary tables with more detailed breakdowns of financial corporations, as well as additional details for certain financial instruments.
- Breakdowns of financial derivatives.
- From-whom-to-whom (supplementary) tables

Other Supplementary Items and Tables

Studies need to be undertaken by RBI on

- Concessional loans: data provided by government / international organizations.
- Reinvested earnings:
 - Breakdown of FDI-related dividends
 - Supplementary data on recording reinvested earnings for all equity in corporations, direct investment, portfolio investment
- Valuation of debt securities at market value and nominal value for liability positions.
- Supplementary table on provisions, broken down into three categories:
 - financial assets related,
 - non-financial assets related, and
 - provisions unrelated to assets

Accounting for Well-being

Research Studies needed on :

- Extended/thematic accounts and tables:
- Unpaid household service work
- Education and training (breakdown by purpose-preprimary, primary, secondary, higher, vocational etc.; by provider; by financing)
- Health and care expenditure

Well-being and Sustainability

Studies need to be undertaken by NAD,NSO on

- Emission permits: Treatment as financial assets, with taxes on production recorded at surrender, valued at issuance price.
- Distinction between taxes and services: as a default, payments for licenses to be treated as taxes; new guidance on re-routing of transactions through government.
- Labour: Relationship between the SNA and ICLS recommendations

Globalization

Studies need to be undertaken by NAD,NSO on

- Determining economic ownership of intellectual property products
- SPEs: resident in an economy is a formally registered and/or incorporated legal entity recognized as an institutional unit, with no or little employment up to maximum of five employees, no or little physical presence, and no or little physical production in the host economy.
- SPE are directly or indirectly controlled by non-residents, SPEs transact almost entirely with non-residents and a large part of their financial balance sheet typically consists of cross-border
- SPEs incorporated in the same economic territory as their parents are not termed as SPEs, but instead be known by their specific type of activity (e.g., domestic securitization vehicle). Such units are usually not consolidated

Globalization (Contd)

Studies need to be undertaken by NAD,NSO on

- **Inverse merchanting:** A merchanting enterprise resident in country A is buying goods in country B and is selling goods without physical transformation to another economic agent in country B.
- For this type of merchanting, country where the inverse merchanting activity is taking place (country B) has to adjust its data on imports and exports in order to appropriately reflect the change of economic ownership of the goods.
- Travel packages and health-related travel

Digitalization

Studies need to be undertaken by NAD,NSO on

- Current treatment of software licenses, including its distinction between intermediate consumption GFCF, long-term access to servers and other resources, own-account production of IT-equipment, and cross-border flows, namely::
- Treat payments for software subscriptions as purchases of a service, unless long-term licenses for software hosted in cloud computing represent software assets of the user.
- Recording of GFCF of data centers, including IT-equipment, for own final use, and Measurement of the international transactions in cloud computing services across networks,
- Output of the digital intermediary platforms to be recorded on net basis , i.e., the fees charged for their intermediary

Digitalization (Contd.)

Studies need to be undertaken by NAD,NSO on

- Crypto assets without a corresponding liability designed to act as a general medium of exchange: is treated as non-produced non-financial assets, in a separate category.
- Crypto assets with a corresponding liability: is treated as financial assets, with appropriate financial instrument classification, depending on nature of the crypto assets.
- Non-fungible tokens (NFT) that only grant personal use and display rights are to be recorded as consumption. Grant limited commercial rights be recorded as non-produced non-financial assets (contracts, leases and licenses), if the owner can derive economic benefits from these rights (e.g., form of royalties);
- Grant full ownership rights should not be separately recorded, assuming that the associated assets or products have already been recorded

Financial Issues

Studies need to be undertaken by RBI on

- Trusts and similar arrangements under third party arrangement: additional guidance provided for treating these as separate institutional units, or not:
- Whether or not the fund manager is exposed to the risks and rewards of the accumulated assets
- If the fund manager is exposed, the fund would need to be consolidated with the fund manager.
- If the fund manager is not exposed, and there is only one beneficiary, the fund would need to be consolidated with the beneficiary.

Delineating individual Insurance and Social Insurance

Studies need to be undertaken by NAD,NSO on

- Treatment of hybrid insurance:
- Insurance products with a saving component are typically classified as life insurance, and
- Products where claims are paid only if the insured event occurs are classified as non-life insurance,
- Hybrid products to be allocated to one category or the other depending on which features are predominant.
- Guidance provided for treatment of Provident Fund
- Recommended to treat these funds as part of social insurance, with the relevant funds classified in the financial corporations' sector.

Transfer of Ownership

Studies need to be undertaken by NAD,NSO on

- Determining economic ownership of intellectual property products: a decision tree to provide guidance has been introduced.
- Recording of transfer of ownership of work-in progress, not restricted to buildings and other structures, but recommended for other nonfinancial assets where production takes several years.
- Record a transfer of the relevant only in the case of an effective transfer of ownership;
- Record partially completed structures as work-in-progress, also after a partial hand-over; and
- Record differences between stage payments and the effective transfer of ownership as other accounts payable/receivable

Other

Studies need to be undertaken by NAD,NSO on

- Public -private partnerships: no conceptual changes but more detailed guidance provided.
- Price and volume measurement: guidance provided for specific products, digital products, FISIM, health and education etc.
- Consumption of fixed capital and capital services: Recommend using geometric rate of depreciation as default option to calculate capital stock and CFC, guidance on how to calculate capital service for inventories.
- Informal economy: chapter 30 has been redrafted to improve alignment with latest ICLS resolutions.
- Taxonomy for releases and products: Communicating and disseminating economic statistics.

Thanks