

## **VALUING PEOPLE'S POTENTIAL – A STEP TOWARDS IMPROVING GROSS NATIONAL HAPPINESS**

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### **ABSTRACT**

*It is a working paper which has People's Potential (PP) and Gross National Happiness (GNH) as its thrust areas. It is discussed in the paper how GNH is related to PP. Since every nation keeps account of its wealth, PP is the wealth of the country and therefore a country should keep its account. Environment Accounting and Accounting for Human potential has been discussed in detail in the paper. The rationale for valuing PP has been highlighted in the paper keeping three basic assumptions in mind viz.,*

- *People's potential is a valuable resource for a country,*
- *The attitude and quality of people affects governance, and The planning in a country is based on the facts and figures to a very great extent.*

*It is proposed in the paper that what could be the basis and methods of valuing PP. Central Statistical Organisation (CSO) under Ministry of Planning could develop a mechanism based on economic activity of the people in the country. Investment approach, Income approach and Product valuation approach could be some of the methods to value PP. It is concluded in the end that the proposed methods may not be suitable to be followed as such and further modifications and suggestions could be incorporated to reach to an ideal model. The author feels that it would be really helpful for the nation to improve its GNH if its PP is valued and depicted in the Annual Statistics of the country.*

### **Introduction**

At the very outset, I would like to mention that it is not a research paper or a paper based on any empirical study. It is a working paper, which invites suggestions and comments. The present paper should be able to give a new dimension to Gross National Happiness and should be able to create an atmosphere of valuable discussion.

Gross National Happiness, hitherto known as GNH, is a theoretical concept. In fact, it is our sick appetite, which prohibits the entry of the thought of valuing it. Valuing People's Potential is an area which needs to be discussed, debated and understood to create a base while depicting GNH. Maybe the fraternity might not agree to the background of the measurement and even the valuation methods may not sound appropriate, but it

should not cause an obstacle to a discussion.

### ***GNH and People***

People are most important part of a nation. People, I mean, You, they and me everybody. It is the beings that make difference in the lives of everybody, be it Trees, Animals or any other living thing. It is the environment and the people, which is most important wealth of a nation. The status of a nation is not derived from its non-participating citizens and non-cooperative environment.

People constitute a very base of GNH. In fact GNH is all about people, their happiness, their trust and faith, their cooperation, their standard of living, their own appetite. Therefore, this paper has tried to discuss the depiction of the value of People's potential in the Annual Statistics of the nation. Human Development Index, as propounded by Mehmood-ul-Haque, should have a factor of the value of the people. I should not be misunderstood in anyway when I use the term 'value of the people', it is the potential of the people, which is subject to valuation and NOT the being of a person, his height, weight, muscles etc.

Buddhism is supposed to believe in unconditional happiness. Diederik Prakke and Khenpo Phuntsho Tashi<sup>1</sup> feels that –

*'Normally politicians feel safest if they can base their directions and decisions on 'hard facts and figures', but it is more honest, brave and insightful to admit that ultimately the objective of good governance is to achieve lasting happiness – soft and impractical as it may sound'.*

GNH is an umbrella under which we can include personal development, satisfaction, willingness to work hard etc The potential

of the people should be valued and should be expressed in monetary terms depending on the nature of work people are doing for the kingdom.

### ***Accounting for National Wealth***

Accounting, generally mean valuation or the information, which can be translated in terms of money. A nation inherits or acquires wealth. This wealth could be of two types - Living and Non- living. Wealth does not necessarily be the cash balance or the bank balance. A country has to keep an account of its wealth. And furthermore, it is important to look for potential areas where there is scope of acquisition. Accounting for national wealth is not a new concept and every country has an inventory of its wealth.

Environment Accounting is a new branch of accounting, which primarily deals with the valuation of environment. It might sound quite ridicules that even environment can be valued, but it is something on which all over the world accountants are working. Though, there is no accounting standard of this effect, some of the organisations are following it and showing it in their Annual Financial statements. So far as a nation is concerned, the country should keep an account of its environment that should include the entries for depletion, plantation, acquisitions, degradation etc.

The issue of Environmental responsibility has become so important that even the companies are ranked on this basis. *Trump Hotels & Casinos, Oxford Health Plans, and Shoney's* joined it in the basement, scoring poorly on financial soundness, use of corporate assets, keeping talents, and community and environmental responsibility<sup>2</sup>.

Accounting for Human Potential is a concept, which could help in improving GNH. The premise on which Peoples' potential is subject to valuation is that the beings are treated as an important national wealth. And national wealth should be accounted for. Central Statistical Organisation under Ministry of Planning can evolve a mechanism to have proper accounting of the human potential. When we look at its practicality, it seems much easier in case of an organisation or an institution. It is of course a difficult task for a country since people have varied interests, professions and vocations. But it is not an impossible thing. Accounting for People's Potential would result into proper decision making and would help country planners to submit project proposals before donor countries with better database, so that better results are obtained from the people.

### **Rationale for Valuing People's Potential**

According to Stephen Landekich<sup>3</sup>

*'The rationale for Accounting for human resource (or Potential) rests on the premise that accounting have a significant behavioral impact on the people who rely on accounting information in the conduct of their business affairs and particularly on the people whose performance is measured in accounting terms. This behavioral impact may be expected to take place as long as the information on human resources retains the requisite characteristics that are associated with accounting information. Hence, human resource accounting should be compatible with conventional accounting systems so as to be perceived as part of the accounting system.'*

The rationale as expressed by Stephen is for valuation of human potential as regards

to an organisation. If we look at it from nation's angle, we find that as a whole a nation can also be treated as an organisation. A nation is a social organisation that has social responsibility. The citizens' role is very important for a nation. The Head of the Nation has to think of this social organisation as a family which in itself also is considered to be a social organisation.

There are certain basic assumptions, which asks for valuation of people's potential.

**i. People's potential is a valuable resource for a country.** A country can not operate without active role of the people. Government machinery is of no use until it is backed by sound human potential. Physical infrastructure can not function on its own. Agriculture field needs people, offices need people, and institutions need people to work for. A nation can not survive without people. People make nation and not the other way.

**ii. The attitude and quality of people affects governance.** While addressing UNDP Millennium meeting in Seoul, Lyonpo Jigme Thinley<sup>4</sup> stressed upon good governance and stated that GNH has good governance as an important factor. A country can have very good name earned if its people are supportive of its policies and plans. Positive contribution of the people to the government assures moral support that at times becomes very important.

**iii. The planning in a country is based on the facts and figures to a very great extent.** Information relating to people's potential would provide good database to the planning ministry so that their planning becomes more effective and goal oriented. Keeping manpower inventory becomes easier with the help of good database.

### **Possible methods of Valuation**

The main thrust of the paper is on valuation methods. Present paper does not argue for valuation of GNH or its depiction. But it is for valuing the worth of the People, which would certainly provide a base for measuring GNH. When we talk about an appropriate method to value the worth of the People, It could be suggested that the valuation could be based on :

Investment approach

Income approach

Product valuation approach

#### *Investment approach -*

Professor Theodore W Shultz<sup>5</sup> was awarded Nobel Prize in the field of Economics on his work on 'Population Quality' and 'Investment in People'. He has stated about investment in people that

*'The thrust of my argument is that the investment in population quality and in knowledge in large part determines the future prospects of mankind. When these investments are taken into account, foreboding concerning the depletion of the earth's physical resources must be rejected. A decidedly favourable achievement of many low-income countries during recent decades is their investment in population quality.'*

He advocates that a country should invest money in people, to improve their quality, thereby affecting their potential. Such investment can be taken as the value of People's potential. Investment on education, health & hygiene, expenditure on various welfare schemes, development activities for people could be some of the areas that could be included while valuing the potential of the People.

### *Income approach*

This could be another basis for valuing people's potential. In fact, it is annual earning of the people, which could be considered for valuation. From an organisation point of view, there are few models, which could be of help even for a country since state has people as employees to whom periodic salary is paid. In 1971 Lev & Schwartz<sup>6</sup> developed a model based on Present Value of future earnings. The concept of human capital and their earnings profile forms the base of this model. Under this model present value of future earnings are computed and discounted at a given rate. This model is most famous and acceptable model of valuing people's potential so far as organisations are concerned. Some of the very important Indian public sector organisations are following this model.

The total of the human capital value of different employees is shown as asset in the Balance sheet whereas it is shown as Human Capital in liabilities. Lev and Schwartz themselves talks about the limitation of this model in their paper<sup>7</sup> as concluding remarks

*'The major limitation in the concept and measurement procedures advanced above is that the firm's value of human capital is not necessarily equal to the portion of the firm's income contributed by the labor force... In the absence of market prices for human capital, the best approximation to its value is the measurement procedure based on census or firm earnings data.'*

This model has received wide acceptance in practice in India and abroad. Most of the Indian organisations are following this model as it is, or with some modifications to suit their requirements.

Further, it is suggested that a country can resolve to have a discount rate that does not affect other indicators of economy. The basic limitation of this model is that it is possible only at such a place where there are salary paid people. Therefore, for the people involved in various other economic activities other than being employees of the state, their valuation would not be possible under this method.

### ***Product valuation approach***

This approach is based on the contribution made by people to the country's economy by way of production. The products could be valued and such value could further be analysed to reach to a figure, which could be termed as people's potential. This approach could be of great help for Bhutan since more than 50% of total population is involved in one or the other activity that results into production.

These three approaches could be followed, based on the nature of job people are performing for the country. Therefore, first, we should classify people in various categories. Economic activity could be one of the bases of classification. Central Statistical Organisation under Ministry of Planning<sup>8</sup> has categorised the whole population in 5(five) categories viz.,

1. People working in Agriculture,
2. People in Government service,
3. People involved in business,
4. Others, and
5. People having no occupation.

If we take this as a basis it could be suggested that all the three approaches could be followed for valuation under different categories. People working in Agriculture and involved in business area

could be valued under Product valuation approach, People working in government service could be valued under Income approach, and People having no occupation could be valued under Investment approach. People who fall in the category of others could be valued on the basis of their work. According to 1994 Statistical Book of Bhutan, total composition of the population on the basis of economic activity was like follows:

- |                                   |       |
|-----------------------------------|-------|
| 1. People working in Agriculture, | 57.2% |
| 2. People in Government service,  | 2.0%  |
| 3. People involved in business,   | 0.6%  |
| 4. Others, and                    | 1.4%  |
| 5. People having no occupation.   | 38.8% |

Therefore, the potential of around 58% people can be valued following Product valuation Approach, the potential of around 39% can be valued following Investment Approach and the potential of around 3% could be valued following Income approach.

### ***Conclusion***

As mentioned in the beginning it is a working paper and invites suggestions for further improvement. However, I feel that since a country is a social organisation it is possible to value people's potential and show it in the annual statistics of the country. Importantly, I must make a mention here that it is not the intention to consider people like commodities by valuing their potential, but it is to disclose the difference between the potentialities of different individuals, so that people are encouraged to work hard in the national interest. As far as GNH is concerned, Kuensel<sup>9</sup> wrote in its editorial on GNH going global that –

'The purpose of this editorial, however, is not to interpret GNH as a pat on the back for Bhutan. On the contrary, the international response to the concept was, in many ways, a reminder of how little some of us understand it ourselves.'

My submission on GNH is same, in one or the other way, as that of the *Kuensel*. I am sure valuing People's Potential would bring happiness for the nation as it would come to know the worth of its own people.

**References :**

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- 2 *Fortune* biweekly, March 1, 1999 p. 42
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4. Bhutan's National Weekly *Kuensel*, November 28, 1998
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7. Lev & Schwartz, 1971, on the use of the Economic concept of Human Capital financial statement, *The Accounting Review (Jan)* Pp. 103-112
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9. Bhutan's National Weekly *Kuensel* editorial, November 7, 1998