



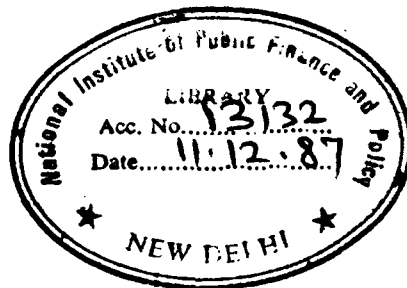
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FINANCING OF CAPITAL FORMATION IN THE
GOVERNMENT SECTOR IN INDIA

1950-51 TO 1975-76

BY

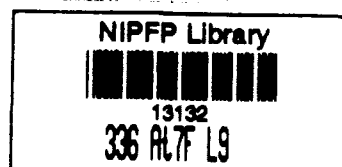
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FINANCING OF CAPITAL FORMATION IN THE GOVERNMENT
SECTOR IN INDIA * 1950-51 to 1975-76**

BY

K.K. ATRI AND RANJANA GHOSHAL*

I. INTRODUCTION

It is only recently that several efforts are being made to construct a reliable series on capital formation in the Indian economy. Very few studies have been conducted in the area of capital formation in the public sector which plays an important part in our national planning. The significance of the public sector has been growing rapidly since the onset of economic planning in our country. It is important to know not only the magnitude of capital formation in the public sector, but also how it has been financed.

2. The object of this paper is to study the pattern of financing capital formation in the government sector.

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The government sector is generally defined to cover the government administration and departmental enterprises of the Central and State governments and the local authorities. However, the local authorities have been excluded from this study; hence in this paper government sector denotes the government administration and departmental enterprises of the Central and State governments. The measurement of capital formation remains outside the scope of this paper. It tries to set-out, using a simple flow of funds approach, the financial mechanism through which savings of other sectors flow into the government sector to finance its capital formation. An attempt has been made also to capture the shifts in the structure of financing capital formation in the government sector over the period 1950-51 to 1975-76. The relative significance of the banking and the non-banking private sectors has also been highlighted in this paper. The same analysis has been carried out, taking the Central and State governments separately, wherein the inter-governmental capital flows, particularly the capital transfers from the Centre to the States, have been indicated.

3. The trends in gross capital formation are presented briefly in Section II. The flow of funds to the government sector and data sources are given respectively in Sections III and IV. Finally, the results are brought out in Section V. A note on the methodology is given in the Appendix.

II. TRENDS IN GROSS CAPITAL FORMATION

4. The share of the public sector, (i.e., government sector plus non departmental enterprises) in the economy's capital formation rose from 27.2 per cent in 1950-51 to 44.7 per cent in 1960-61 and further to 52.4 per cent in 1975-76. More than three-fourths of the capital formation within the public sector was made by the government sector prior to 1960. However, the share of the government sector in the capital formation of the public sector has been falling gradually since then. This fall is matched by an increase in the share of non-departmental enterprises in the public sector's capital formation. The major part of capital formation in the public sector is now accounted for by the non departmental enterprises. In 1974-75, the share of the government sector in the total capital formation of the public sector

was 44.3 per cent and in 1975-76 it was only 38.5 per cent.

5. Table 1 indicates the growth rates of capital formation in the various sectors of the economy reckoned at current prices. It is seen that the rate of growth of capital formation is higher in the case of the economy (12.3 per cent) than in the case of the government sector (9.3 per cent) reflecting the fact that the rates of growth of capital formation by other sectors have been higher. During the years 1964-65 to 1969-70, a period when there was armed conflict with Pakistan and an economic recession (1966-68), the capital formation in the government sector (GCF_g) was virtually stagnant around Rs.1000 crores per annum. (Strictly speaking, there was slight decline of 1.3 per cent per annum). The growth of GCF_g in the first half of seventies was 19 per cent per annum. However, this was the time when inflation was at its peak; hence the growth rate in real terms was much lower.

6. It may be noted that within the government sector, the State governments account for a substantial portion of capital formation and moreover that their share has also been increasing steadily since 1960-61. They

accounted for 55 per cent of government sector's capital formation in 1975 -76. However, if we take into account the massive transfers, both grants and loans, made by the Centre for capital formation, particularly to the States and non departmental enterprises, then the share of the Central government in the public sector's capital formation will be much higher.

III. FLOW OF FUNDS TO THE GOVERNMENT SECTOR

7. The sources of finance for the government sector capital formation can be broadly grouped under savings and borrowings. Gross savings of this sector consist of the current account surplus of the government administration, retained earnings of the departmental enterprises and depreciation provision by these enterprises. In symbols,

$$GS_g = S_g + E_d + P_d \quad \dots\dots (1)$$

where,

GS_g = gross savings of the government sector,

S_g = current account surplus of the government sector,

E_d = retained earnings of the departmental enterprises. and

P_d = depreciation provision made by the departmental enterprises.

Net savings of the government sector may be defined as:

$$NS_g = GS_g - CC_g \quad \dots\dots\dots (2)$$

where,

NS_g = net savings of the government sector, and

CC_g = capital consumption by the government sector.

8. The excess of capital formation over the savings measures the income deficit of the government sector.

When this income deficit is added, after adjusting for net capital transfers, to the deficit arising out of the government's net transactions in financial assets such as investment in shares and loans, it gives the government's total requirements of finance^{1/}

This gap is met through borrowings which may be in the form of either domestic loans or foreign loans or capital grants from abroad. Domestic borrowings consist of the flow of funds from the Reserve Bank of India (RBI) and the other sectors of the economy.

Resource transfers from the RBI consist of:

1/ Government of India. Ministry of Finance. An Economic and Functional Classification of the Central Government Budget.

- i) Long-term loans (holdings of government securities),
- ii) Short-term loans which comprise:
 - RBI purchase of Treasury Bills,
 - Ways and Means advances and
 - withdrawals from cash balances, and
- iii) Other loans to the States, through channels such as, the National Agricultural Credit Fund of the RBI and the National Cooperative and Development Corporation.

Resource transfers from the other sectors of the economy cover market borrowings from the banking sector (excluding the RBI) and the non-banking private sector as well as non-market borrowing from the latter. The non-banking private sector includes the provident funds, life insurance, small savings and other (residual) items which cover the remaining needs, such as the corporate sector; other financial institutions, e.g., the Unit Trust of India (UTI), Industrial Development Bank of India (IDBI), etc., various capital receipts and receipts from gift tax and estate duty.

9. The banking sector constitutes an important source of finance for the government sector. Funds made available by the banks are in the form of investments in government securities by the commercial and

co-operative banks, securities bought by the RBI on its own account and the short-term credit and other term loans given by the RBI. The following relations describe the mechanism of borrowings from the banking sector.

$$\begin{aligned}
 R_b &= D_{RB} + M_{CB} \\
 D_{RB} &= SC_{RB} + OL_{SRB} + M_{RB} \\
 M_{CB} &= SO_{CBt} - SO_{CB(t-1)} \\
 SC_{RB} &= CB_{RB} + TB_{RB} + WM_{RB} \\
 M_{RB} &= SO_{RBt} - SO_{RB(t-1)} \\
 TB_{RB} &= TB_{RBt} - TB_{RB(t-1)}
 \end{aligned}
 \quad \left. \begin{array}{l} \\ \\ \\ \\ \\ \end{array} \right\} \dots\dots (3)$$

where,

- R_b = resources originating in the banking sector,
- D_{RB} = resources originating from the RBI,
- M_{CB} = borrowings from the commercial and Co-operative banks. (These are adjusted for short-term credit to the Central government through investments in treasury bills),
- SC_{RB} = short term credit given by the RBI. This is adjusted for funding of ad hoc treasury bills,
- M_{RB} = long term borrowings of the government from the RBI,
- OL_{SRB} = other loans given by the RBI to the State government,

SO_{CBt} = securities owned by the commercial and co-operative banks at the end of current year,

$SO_{CB(t-1)}$ = securities owned by the commercial and co-operative banks at the end of last year,

CB_{RB} = withdrawals from cash balances,

TB_{RB} = treasury bills issued. These are adjusted for funding of ad hoc treasury bills,

TB_{RBt} = treasury bills held by the RBI at the end of current year,

$TB_{RB(t-1)}$ = treasury bills held by the RBI at the end of last year,

W_{RB} = ways and means advances and overdrafts given by RBI in favour of State governments,

SO_{RBt} = securities held by RBI on its own account at the end of current year, and

$SO_{RB(t-1)}$ = securities held by RBI on its own account at the end of last year.

D_{RB} in equation (3) above could be interpreted as a measure of the extent of deficit financing by the government sector which would indicate the inflationary or deflationary impact on the economy (demand for domestic output and imports).

10. Resources originating in the non-banking private sector may be represented by the following relations,

$$\begin{array}{rcl}
 R_P & = & PF + L + SS + O_P \\
 PF & = & PF_{CR} + M_{PF} \\
 L & = & M_L + H_{S L} \\
 M_L & = & SO_{Lt} - SO_{L(t-1)} \\
 M_{PF} & = & SO_{PFt} - SO_{PF(t-1)}
 \end{array}
 \left. \vphantom{\begin{array}{rcl} R_P \\ PF \\ L \\ M_L \\ M_{PF} \end{array}} \right\} \dots\dots (4)$$

where,

- R_P = resources originating in the non-banking private sector,
- PF = resources originating from the provident funds,
- L = resources originating from the Life Insurance Corporation (LIC),
- M_L = market borrowings from the LIC,
- $H_{S L}$ = housing and other loans given by LIC to the States,
- SS = small savings,
- O_P = other (residual) resources from the non-banking private sector,
- PF_{CR} = capital receipts of the government from the provident funds,
- M_{PF} = market borrowings from the provident funds,
- SO_{Lt} = securities owned by the LIC at the end of current year,
- $SO_{L(t-1)}$ = securities owned by the LIC at the end of last year,
- $SO_{PF(t-1)}$ = securities held by the provident funds at the end of last year, and
- SO_{PFt} = securities held by the provident funds at the end of current year.

Provident funds include State provident fund (net), Public provident fund (net) and special deposits of non-government provident funds (net). PF_{GR} and SS are among the major components of unfunded government debt. The market borrowings from the non-banking private sector is given by,

$$M_P = M_L + M_{PF} \quad \dots (5)$$

where,

M_P = market borrowings from the non-banking private sector.

Borrowings from the other financial institutions and the corporate sector such as the UTI, IDBI, ICICI, Joint Stock Companies and trusts, in the form of their ownership of government securities, did not account for any significant portion of the over-all borrowings. Further, the information on this was also not available uniformly for the required years. As such, they have not been shown separately and have been clubbed with the other (residual) resources. To this extent, M_P is slightly underestimated.

11. Resources from the rest of the world include all foreign loans and capital transfers, adjusted for loans

to foreign countries made by India including temporary trade credits and also the subscriptions to international financial organisations, which are in the nature of capital transfers. The flow of funds from the rest of the world can be defined as follows,

$$\begin{array}{rcl} R_r & = & L_w - T_w \\ L_w & = & ED + FG \\ T_w & = & L_f + S_w \end{array} \left. \vphantom{\begin{array}{rcl} R_r \\ L_w \\ T_w \end{array}} \right\} \dots\dots (5)$$

where,

- R_r = resources from the rest of the world,
- L_w = receipts from the rest of the world in the form of grants and loans,
- T_w = capital transfers to the rest of the world,
- ED = external debt net of repayments of foreign debt,
- FG = foreign grants,
- L_f = loans to foreign countries including trade credits, and
- S_w = subscription to international financial organisations.

12. The net borrowings of the government sector represent the increase in its financial liabilities. As against this there is invariably an increase in its

financial assets represented by the government sector's lendings and investments in share capital, etc. The amount available for financing capital formation and making capital transfers is equal to the net borrowings of the government sector minus the increase in its financial assets. Therefore, we have to set off government sector's net lending against its net borrowings. If net lendings can be broken down by the same sectors as in the case of borrowings, then borrowings net of lending from each sector could be derived and the net flow of resources from each sector for financing capital formation and capital transfers could be indicated. However, in the present study, it has not been possible to break down government's lending by sectors (except for the foreign sector). Hence, the picture presented is as follows:

$$(R_b + R_p) - L_{go} + R_r = CT_{go} + (GCF_g - GS_g)$$

or

$$GCF_g = (GS_g + R_b + R_p) + R_r - (L_{go} + CT_{go})$$

$$GCF_g = GS_g + R_b + R_p + R_r - R_{go} \quad \dots \quad (7)$$

where,

R_{go} = all resources (loans plus capital transfers) flowing from the government sector to the other sectors of the economy.

13. In respect of the Central government, net lending to the State governments becomes an additional item of financial investment. On the other hand, in respect of the State governments, net borrowing from the Centre is an additional item of increase in financial liabilities. To the extent that the State governments invest in Central government securities there arises an additional item of lending in their case. The picture of financing capital formation for the Central and State governments is shown as follows:

$$GCF_c = GS_{cg} + R_{cb} + R_{cp} + R_r - (R_{cs} + R_{cgo}) \dots (8)$$

$$GCF_s = GS_{sg} + R_{sb} + R_{sp} + R_{cs} - R_{sgo} \dots (9)$$

where,

GCF_c and GCF_s = gross capital formation by the Central government and the States and Union territories,

GS_{cg} and GS_{sg} = gross savings by the Central government and the States and Union territories,

R_{cb} and R_{sb} = resources from the banking sector to the Central government and the States and Union territories,

- R_{cp} and R_{sp} = resources from the non-banking private sector to the Central government and State and Union territories,
- R_{cs} = flow of resources from the Centre to the States and Union territories,
- R_{cgo} = flow of resources from the Centre to other sectors of the economy, and
- R_{sgo} = flow of resources from the States and Union territories to other sectors of the economy.

IV. DATA SOURCES

14. The major data sources are the National Accounts Statistics of the Central Statistical Organisation (CSO), RBI's surveys of "Ownership of Central and State governments' Securities" published in various issues of RBI Bulletins, Economic and Functional Classification of the Central Government Budget by the Ministry of Finance, and the annual budgets of the Central and State governments. While the figures of capital formation and net lending are mostly derived from budgetary data, the figures of flows of resources from different sectors into the government sector have had to be derived from other sources. The data taken from these different sources do not often tally and

hence methods have had to be evolved to reconcile the differences. Though every effort has been made in this direction, some discrepancies still remain. This is reflected in the series on error terms E_g , E_c and E_s given in Tables 2, 3, and 4. It may be noted that for some years the error terms are large. A further difficulty faced is that even when information on an item can be gathered from the same source it is not given on an identical basis for all the years covered by the study. This leads to the limitation that in some cases figures for different years are not strictly comparable. In particular, the results for 1950-51 to 1959-60 are not strictly comparable; they have been given to convey some broad ideas only.

V. RESULTS

15. The sources of finance discussed in Section III above, the extent of their contribution to the financing of gross capital formation in the government sector (GCF_g) are shown in Table 2, Tables 3 and 4 describe respectively the details for the Central and State governments. These two tables also indicate the flow of resources from the Central government to the

State governments and Union territories, (R_{CS}). A detailed breakdown of these results is shown in the statements presented in the statistical appendix. These statements reflect the relative significant of contributions made by the different financial and non-financial sectors of the economy in the financing of capital formation in the government sector. The conclusions that emerge from these tables and statements are discussed in the following paragraphs. The percentage contribution of each sector will be indicated in terms of its share in total finances available for capital formation and for capital transfers and lendings to other sectors. This is because, as indicated earlier, sector-wise break-down of lending is not available except in the case of the foreign sector. Tables 5, 6 and 7 show the relative shares of the different sources of finance, namely, gross savings, and resources from the banking sector, from the non-banking private sector and from the rest of the world. The results are given for a few selected years during the period 1950-51 to 1975-76. It has been mentioned earlier that the results for 1950-51 to 1959-60 are not strictly comparable to the results for 1960-61 to

1975-76. As such, we have not included the results of the decade of fifties in the discussion below.

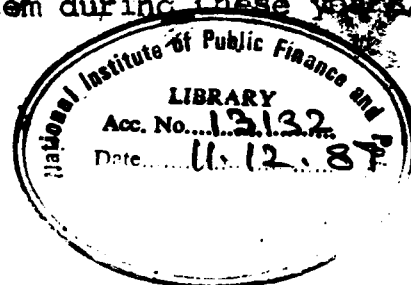
16. Table 5 sets out the relative importance of the contribution of the different sources to the total resources of the government sector and the structural changes therein. Gross savings are becoming significant in financing capital formation in the government sector. Their share in total resources has been growing since 1960-61. A decline was, however, observed during 1965-66 to 1967-68 and during 1971-72 and 1972-73. This could possibly have been the result of wars with Pakistan. The relative importance of resources from the rest of the world (R_r) which was quite high from 1960-61 upto 1967-68 has gradually come down though after the year 1974-75 this declining trend of R_r was reversed. The proportion of resources from the banking sector was the highest during 1971-72 to 1973-74. The spurt in the flow of resources from the RBI to the government sector in the form of deficit financing explains the high proportion of contribution by the banking sector observed during the early seventies. It may be noted that the short-term credit from RBI, mainly to the Central government, was higher during 1971-72

and 1972-73, while the long term credit from the RBI to the Central government in the form of ownership of government securities showed an increase in 1973-74. This would partly explain the inflation experienced in the Indian economy during the first half of seventies when there was also a hike in prices of food, fuel and fertilizers abroad. Resources originating in the non-banking private sector have been fluctuating between 23 and 32 per cent of total resources during 1960-61 to 1975-76 except for the year 1973-74 when there was a sudden increase in receipts from small savings along with a large drop in receipts from residual resources. Within the non-banking private sector, provident funds account for the major share followed by small savings, LIC and other (residual) resources. In 1975-76, provident funds, small savings, LIC and other (residual) resources accounted for 57.7 per cent, 30 per cent, 11.7 per cent and 0.6 per cent, respectively out of the resources originating from the non-banking private sector, compared to the composition of 33.6 per cent, 33.8 per cent, 19.2 per cent and 13.4 per cent in 1960-61.

17. It may be noted, from Table 6, that both the gross savings of the Centre and the resources from the rest of the world are important sources of finance for the Centre. In 1975-76, these two sources together accounted for about 65.6 per cent of total finances available with the Centre. However, over the period 1960-61 to 1975-76, the share of resources from the rest of the world has decreased while the share of gross savings has increased. The contribution of the non-banking private sector in the total finances of the Centre is becoming more significant. Since 1970-71 it has been accounting for nearly one fourth of the total finances of the Centre. The share of resources from the banking sector has been fluctuating over 1960-61 to 1975-76. These fluctuations have already been explained above. As of 1975-76, the banking sector accounts for 11.4 per cent of total finances of the Centre.

18. It may be observed from Table 7 that gross saving is an important source of finance for the States and Union territories. Its share in the total resources of the States and Union territories has increased from

26 per cent in 1960-61 to 48 per cent in 1975-76. There was a sudden drop in its share during 1961-62 and 1965-66 when there were several disturbances in our economy. Resources transferred from the Centre to the States and Union territories were very significant up to the beginning of the seventies; however, their share has fallen since then. As of 1975-76, they account for 22 per cent of the total resources of the States and Union territories. In 1975-76, the share of the non-banking private sector in the total resources of the States and Union territories was around 18 per cent only as compared to 33 per cent in 1960-61. This indicates that the significance of this sector in the total resources of the States and Union territories has fallen. As regards the banking sector, it may be noted that its contribution to the total resources of the States and Union territories has increased over 1960-61 to 1971-72. However, there were fluctuations in the share of the banking sector since 1972-73 onwards. This could possibly be due to fluctuations in borrowings from the Reserve Bank and the rest of the banking system during these years.



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TABLE 1

Rates of Growth of the Gross Capital
Formation During 1960-61 to 1975-76

Sector	Compound rate of growth (per cent per annum)
Gross capital formation in the	
- economy	12.3
- public sector	11.5
- government sector (Central and State government)	9.3
- Central government	7.0
- State government	11.4
- Local authorities	10.3

TABLE 2

Financing of Gross Capital Formation - Government Sector

(Rs. crore)

Year	Gross capital formation	GDP _g	Gross savings	Resources originating in the banking sector	Resources originating in the non-banking private sector	Resources from rest of the world	Resources going to other sectors of the economy	Total resources	Error term
			GS _g	R _b	R _p	R _r	R _{go}	TR _g	E _g
1950-51	213.02		163.0	71.5	-82.9	3.3	30.1	154.9	88.2
1951-52	272.02		248.9	-94.0	144.7	60.6	77.6	360.2	-10.6
1952-53	263.02		136.7	96.4	-26.8	40.2	19.2	246.5	35.7
1953-54	295.02		119.1	49.5	101.5	14.9	32.4	285.0	42.4
1954-55	368.02		139.6	151.5	175.1	12.7	67.6	478.9	-43.3
1955-56	505.02		155.5	154.3	213.3	37.3	135.7	560.4	100.3
1956-57	592.02		205.5	315.6	226.3	37.2	149.9	784.6	-42.7
1957-58	630.02		216.4	571.4	131.4	74.2	232.4	993.4	-81.0
1958-59	595.02		191.4	41.4	170.3	220.8	358.5	623.9	342.6
1959-60	575.02		200.1	327.0	176.8	93.8	385.1	797.7	162.4
1960-61	674.0		298.0	-58.0	307.3	470.6	408.2	1017.9	64.3
1961-62	649.0		345.0	227.5	154.4	322.6	354.4	1055.5	-52.1
1962-63	842.0		391.0	212.5	257.4	413.8	487.5	1274.7	54.8
1963-64	936.0		492.0	300.8	268.0	517.3	615.4	1578.1	-26.7
1964-65	1083.0		568.0	249.2	257.5	631.6	709.5	1706.3	86.2
1965-66	1092.0		556.0	426.8	462.1	578.5	1035.6	2023.4	104.2
1966-67	957.0		426.0	211.1	312.4	574.5	790.0	1524.0	223.0
1967-68	1061.0		374.0	242.9	574.3	640.2	882.4	1831.4	112.0
1968-69	914.0		539.0	414.5	463.0	442.1	963.0	1858.6	18.4
1969-70	1074.0		658.0	138.3	505.7	505.4	763.1	1807.4	29.7

Contd ..

(Rs. crore)

Year	GCF _g	GS _g	IP _b	IP _p (Contd)	R _r	R _{go}	TR _g	E _g
1970-71	1236.0	811.0	667.8	776.8	183.7	919.1	2439.3	-284.2
1971-72	1505.0	805.0	993.4	768.3	293.2	976.0	2897.9	-376.9
1972-73	1946.0	799.0	1764.4	805.5	177.3	1293.3	3546.2	-306.9
1973-74	2333.0	1098.0	1430.6	597.1	201.6	1250.0	3327.3	255.7
1974-75	2650.0	1839.0	668.8	1129.0	21.2	1988.3	4058.0	560.3
1975-76	2883.0	2354.0	758.6	307.8	1494.2	2863.5	5714.7	31.8

Sources : 1) Central Statistical Organisation : National Accounts Statistics
 2) PSU, P.W.D. (1977). Capital Formation and Financing in India.
 3) Ministry of Finance. Economic and Functional Classification of the Central Government Budgets. (Annual)

Notes: 1/ Net purchase of second-hand assets are not included.
 2/ Includes gross capital formation by local authorities.

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TABLE 3

Financing of Gross Capital Formation - Central Government

(Rs. crore)

Year	Gross Capital Formation	Gross savings	Resources originating in the banking sector	Resources originating in the rest of the world	Resources from State Centre to other sector of the economy	Total resources	Error term
	Go	So	Bo	Ro	Res	TR	E
1950-51	40.1	124.3	83.7	3.3	65.9	121.5	38.2
1951-52	105.4	187.3	-96.1	60.6	82.8	211.7	0.1
1952-53	68.5	99.0	72.2	40.2	7.5	152.4	-2.5
1953-54	85.9	68.9	62.4	12.0	101.4	152.5	22.4
1954-55	199.6	95.8	170.7	77.7	147.6	391.2	23.5
1955-56	152.7	62.4	146.7	37.3	213.5	407.9	51.4
1956-57	240.3	160.5	218.3	37.2	122.7	532.7	-56.8
1957-58	327.7	116.7	581.1	74.2	241.0	797.6	-16.5
1958-59	224.7	93.4	28.9	220.8	184.6	437.4	357.3
1959-60	236.9	128.5	269.3	93.8	167.1	565.4	112.2
1960-61	322.0	167.4	-65.0	470.6	198.3	715.6	54.4
1961-62	313.0	297.3	175.7	328.6	286.0	833.3	-12.3
1962-63	455.0	281.6	217.0	413.8	357.8	1055.9	75.9
1963-64	550.0	314.9	281.4	517.3	403.1	1288.3	35.1
1964-65	638.0	340.1	227.0	621.6	422.6	1501.8	178.9
1965-66	499.0	509.9	262.0	378.5	561.2	1659.1	-78.3
1966-67	462.0	241.4	234.1	271.5	592.5	1231.0	336.5
1967-68	438.0	139.0	156.7	602.2	625.2	1426.0	192.8
1968-69	259.0	304.8	267.7	422.4	430.5	1308.4	44.4
1969-70	400.0	404.7	74.3	505.4	432.3	1303.7	4.0

Contd..

Year	(Rs. crore)								
	GOP _c	GS _{og}	Rob	R _{optable}	R _{r(Contd)}	R _{os}	R _{oge}	TR _o	E _c
1970-71	507.0	102.8	495.2	539.2	433.7	579.9	602.2	1580.9	0.2
1971-72	621.0	200.9	722.7	489.2	293.2	552.5	603.5	1774.0	9.0
1972-73	74.0	475.8	1599.8	532.5	179.3	906.7	834.1	2755.3	-273.9
1973-74	819.0	584.7	1084.6	241.4	201.5	657.7	840.5	2112.3	204.9
1974-75	1243.0	915.7	474.3	529.4	421.2	214.0	1415.0	2341.6	530.4
1975-76	1264.0	900.7	397.3	601.7	1294.2	626.2	2166.3	3483.9	572.6

Sources : 1. General Statistical Organisation, National Accounts Statistics.
 2. Ministry of Finance, Economic and Financial Classification of the Central Government, Part of India, "Other than Government",
 Punjab and West Bengal, Government of India, New Delhi, 1971.

Note : 1. Net purchase of second-hand capital assets are not included.

TABLE 4

Financing of Gross Capital Formation - State Governments and Union Territories

Year	Gross Capital Formation (1)	Gross savings	Resources originating in banking sector	Resources originating in non-banking private sector	Resources going from Centre to States	Resources going to other sectors	Total resources	(Rs. crore)	
								Excess	term
1950-51	132.9	38.7	-12.2	6.9	65.9	16.4	99.3	50.0	
1951-52	166.6	61.6	2.1	84.8	82.8	54.0	231.3	-10.7	
1952-53	194.5	36.9	24.2	26.0	72.5	3.3	159.6	38.2	
1953-54	209.1	50.2	-12.5	58.9	101.4	8.8	197.9	20.0	
1954-55	168.2	43.8	-19.2	63.1	167.6	10.3	255.3	-76.8	
1955-56	352.3	56.1	7.6	88.8	213.5	62.6	366.0	48.9	
1956-57	344.2	45.0	97.1	109.8	122.7	44.5	374.6	14.1	
1957-58	302.3	99.7	40.3	55.8	241.0	70.0	436.8	-64.5	
1958-59	273.3	98.0	12.5	76.0	184.6	83.1	371.1	-14.7	
1959-60	338.1	71.6	57.7	103.0	167.1	111.5	399.4	50.2	
1960-61	352.0	130.6	7.0	164.7	198.3	158.5	500.6	9.9	
1961-62	331.0	47.7	51.8	122.7	286.0	137.4	508.2	-39.8	
1962-63	387.0	109.4	-4.5	113.9	357.8	168.9	576.6	-20.7	
1963-64	386.0	177.1	19.4	93.3	403.1	245.1	692.9	-61.8	
1964-65	445.0	227.9	22.2	154.4	428.6	295.4	833.1	-92.7	
1965-66	593.0	46.1	164.8	153.4	561.2	515.0	925.5	182.5	
1966-67	495.0	184.6	-23.0	131.4	592.5	277.0	885.5	-113.5	
1967-68	623.0	235.0	86.2	83.4	625.2	326.0	1029.8	-80.8	
1968-69	655.0	234.2	152.8	163.2	431.5	300.7	981.7	-26.0	
1969-70	674.0	256.3	64.0	178.4	432.3	282.7	931.0	25.7	

Cont'd.....

(Rs. crore)

Year	GCF _s	GS _{sg}	R _{sb}	Net R _{sp} (C. P. I.)	R _{cs}	R _{sgo}	TR _s	E _s
1970-71	729.0	408.2	172.6	177.6	579.9	316.9	1338.3	-292.4
1971-72	884.0	534.1	271.0	278.8	558.5	372.5	1642.4	-385.9
1972-73	1205.0	352.2	164.8	272.9	906.7	458.6	1696.6	-33.0
1973-74	1514.0	513.3	346.0	355.7	657.7	409.5	1872.7	50.8
1974-75	1387.0	922.3	194.5	599.6	214.0	573.3	1930.4	29.9
1975-76	1699.0	1363.3	361.3	506.	626.2	697.2	2857.0	-540.8

Sources: 1) Central Statistical Organisation, National Sample Statistics.

2) Ministry of Finance, Economic and Financial Administration of the Central Government Budgets (annual)

3) Reserve Bank of India, "Concrete Data on the Monetary and Credit Situation", Monthly Bulletins and Reports on Money and Finance.

Notes : 1/ Net purchase of second-hand assets are not included.

2/ Includes gross capital formation by local authorities.

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TABLE 5

Sources of Finance - Their Proportion in Total
Resources of the Government Sector (TR_g)

(per cent of TR_g)

Year	GS _g	R _b	R _p	R _r	Total
1950-51	105.2	46.2	-53.5	2.1	100
1955-56	69.1	-26.1	40.2	16.8	100
1960-61	29.3	-5.7	30.2	46.2	100
1965-66	27.5	21.1	22.8	28.6	100
1970-71	33.2	27.4	31.8	7.5	100
1975-76	41.2	13.3	22.9	22.6	100

TABLE 6

Sources of Finance -- Their Proportion in Total
Resources of the Central Government (TR_C)

(Per cent of TR_C)

Year	GS _{cg}	R _{cb}	R _{cp}	R _r	Total
1950-51	102.3	68.9	-73.9	2.7	100
1955-56	24.4	36.0	30.5	9.1	100
1960-61	23.4	-9.1	19.9	65.8	100
1965-66	30.7	15.8	18.6	34.9	100
1970-71	24.0	29.5	35.7	10.9	100
1975-76	28.4	11.4	23.0	37.2	100

TABLE 7

Sources of Finance - Their Proportion in Total
Resources of States and Union Territories (TRs)

(Per cent of TRs)

Year	GS _{sq}	R _{sb}	R _{sp}	R _{cs}	Total
1950-51	39.0	-12.3	7.0	66.4	100
1955-56	15.3	2.1	24.3	53.3	100
1960-61	26.1	1.4	32.9	39.6	100
1965-66	5.0	17.8	16.6	60.6	100
1970-71	30.5	12.9	13.3	43.3	100
1975-76	41.7	12.6	17.7	21.9	100

STATISTICAL APPENDIX

METHODOLOGY

We have attempted to bring out the structure of financing capital formation in the government sector through a flow of funds approach. The classification of the various sources of finance into different groups has been explained in Section III. The basic equations in our analysis are:

$$GCF_g = GS_g + R_b + R_p + R_r - R_{go} \quad \text{---- (1)}$$

$$GCF_c = GS_{cg} + R_{cb} + R_{cp} + R_r - (R_{cs} + R_{cgo}) \quad \text{--- (2)}$$

$$GCF_s = GS_{sc} + R_{sb} + R_{sp} - R_{cs} - R_{sgo} \quad \text{--- (3)}$$

(The symbols have the same meaning as before)

The major limitations in explaining the computations of each of the items are elucidated below.

The basic statistics compiled are presented in self-explanatory Statements 1-10 at the end of the appendix.

Government Sector (Centre plus States)

For the years 1950-51 to 1959-60, GCF_g has been measured inclusive of local authorities (LA), due to the non availability of separate data on the gross capital formation by the LA (GCF_{LA}). The inclusion of GCF_{LA}

for some of the years is not likely to substantially affect our results as the GCF_{LA} is not expected to be very significant in these years. For the subsequent period, 1960-61 to 1975-76, GCF_{LA} is excluded from GCF_g .

GS_g was arrived at by adding the net savings of the government sector to "capital consumption" allowance of departmental enterprises. Savings by LA for the period 1950-51 to 1959-60 are adjusted with data from RBI Bulletin (March 1960). GS_g for the remaining years 1960-61 to 1975-76 are exclusive of savings by LA.

The market borrowing figures of the Central and State governments, from the banking sector (RBI and commercial and co-operative banks), which were derived from data presented in the RBI survey on 'Ownership of Government Securities', were added together to arrive at market borrowings for the government sector. The short-term borrowings from the RBI were worked out by aggregating the following:

- a) withdrawals from cash balance;
- b) treasury bills; and
- c) ways and means advances.

Data under items (a) to (c) were culled out from the budget documents. The total flow of resources from the banking sector were derived by aggregating the market borrowings from the banking sector, the short term borrowings from the RBI and 'other loans' by the RBI to the States (through channels such as, the National Agricultural Credit Fund of the RBI and National Cooperative and Development Corporation).

The computation of the flow of resources from the non-banking private sector to the government sector, encountered several data gaps. For instance, data on ownership of government securities by Provident Funds which reflect market borrowings from them are not available separately for the period 1950-51 to 1956-57, (they are clubbed with the 'other' (residual) sources) these data also do not include Provident Funds of LIC, Industrial Credit and Investment Corporation of India (ICICI), scheduled and nationalised banks, State electricity boards, seamen and Air India employees from 1970-71 onwards. The borrowings from insurance companies, comprise the borrowings from the LIC, General Insurance and Employees' State Insurance Corporations, with the LIC accounting for the major share; data

for the period commencing 1971-72, however, does not include the borrowings from the General and Employee's State Insurance Corporations. To arrive at the total resources from the non-banking private sector, R_p , we aggregated the market borrowings of the Central and State governments from the Provident Funds and LIC, capital receipts from the Provident Fund, housing and other loans from the LIC to the States and other (residual) resources of the Central and State governments.

While computing resources from the rest of the world, R_r , we have netted out repayments and capital transfers to the rest of the world, from the receipts coming from the rest of the world, in the form of grants and loans. Loans to foreign countries including trade credits, have been added to subscriptions to international financial organisations, to yield capital transfers to the rest of the world. The estimates of receipts from the rest of the world were arrived at by adding net external borrowings to grants from abroad. Securities owned by non-residents could not be taken into account because data were not available for the whole of the period under study. To this extent, R_r is slightly

underestimated. However, non-residents account for a negligible quantum of investments in government securities.

Similarly, resources going from the government sector to the other sectors of the economy, R_{go} , were calculated by adding the flow of resources from the Centre to others, and from the States to others. This summing up, however, does not reflect the flow of resources from the Centre to the States.

Centre

We have taken the figures of GCF_c from the economic classification of the Central government budget (EC), for the period 1950-51 to 1959-60, and from the National Accounts Statistics (NAS), for the period 1960-61 to 1975-76.

GS_{cg} is comprised of: a) current account surplus of the Centre, b) retained earnings of the departmental enterprises of the Central government, (DE), and c) depreciation provision made by these DEs. Data on capital consumption of DEs were not available for all the years so we have used depreciation provision instead.

Short-term borrowings from the RBI include withdrawals from cash balances and treasury bills, adjusted for funding. Because of the non-availability of systematic data on break-up of ownership of treasury bills for the period prior to 1965-66, we had to assume that during this period all the treasury bills were taken up by the RBI; for the latter period, following 1965-66, adjustments have been made for the ownership of treasury bills by other sectors. The data on ownership of treasury bills are taken from the RBI Bulletins.

The data on market borrowings from the RBI and other banks have been derived from RBI's survey data. The short term borrowings from the RBI, when added to the market borrowings from the banking system as a whole yields total borrowings from the banking system, R_{cb} . The figures for 1974-75 and 1975-76 do not include data of co-operative banks. The market borrowings from the commercial and co-operative banks are adjusted for short term credit to the Central government (through investments in treasury bills).

Resources from the non-banking private sector, R_{cp} , were worked out by adding capital receipts from Provident Funds (such as State PF and Public PF, deposits

of non-government PFs); market borrowings from PFs and LIC; receipts from small savings and other (residual) resources. The major limitations of data have already been highlighted while discussing R_p , above. The Central government's share in small savings was derived by deducting State's share from the total accruing to the government sector. We have clubbed a number of items under the head, "other (residual)" sources. We have added up market borrowings from RBI which holds securities on behalf of the public, and securities held by Industrial Finance Corporation, joint stock companies, local authorities, individuals, Agricultural Refinance Corporation, State Electricity Boards, LIC, ICICI, UTI, Trusts (Public and Private), non-residents and Provident Funds for the years 1950-51 to 1956-57; 'other capital receipts' (which appears in Accounts 3 in EC); 'miscellaneous capital receipts' net (which appears in Account 5 in EC) and revenue from gift tax and estate duties.

The flow of resources from the Centre to the rest of the economy was worked out in two parts - (a) to States (R_{CS}) and (b) to other sectors of the economy (R_{cgo}). R_{CS} includes grants for capital for-

mation, loans for capital formation and other loans, from the Centre to the States. The loan items are in net terms, adjusted for repayments to the Centre. R_{CS} is also adjusted for net borrowings from the States (in terms of States owning Central government securities and States' investments in treasury bills), if any. R_{cgo} includes grants for capital formation to LA, non departmental enterprises (NDE) and others; other loans to LA, NDE and others (net of repayments); investments in shares in financial institutions and other government concerns and other transfers from the Centre, such as gratuities and commuted value of pensions (Account 3, EC).

States

We have derived GCF_s by deducting GCF_c from GCF_g for the period 1950-51 to 1959-60; for the remaining years, namely, 1960-61 to 1975-76, we have taken the data on GCF_g from NAS. GCF_s is inclusive of LA for the years prior to 1960-61.

In the same way, GS_{sg} , was derived by deducting GS_c from GS_g .

R_{sb} was calculated by adding the short term borrowings from the RBI i.e., withdrawals from cash balances, plus ways and means advances (as given in budget documents), to market borrowings from the RBI and other banks (from RBI's survey data) and 'other loans' from the RBI. The figures for 1974-75 and 1975-76 do not include borrowing from co-operative banks.

R_{sp} was computed in the same way as R_{cp} . The sources of data in this case are the same and, therefore, the limitations that have been pointed out earlier still remain. In the case of State's share in small savings, we took the data from RBI Bulletins. Other (residual) resources of the States include borrowings from the Agricultural Refinance Corporation, State Electricity Boards, IDBI, ICICI, joint stock companies, local authorities, Trusts (public and private), individuals, General Insurance, Industrial Finance and State Financial Corporations.

We have added up loans given by the States to local authorities, non-departmental enterprises and others, net of repayments, to arrive at R_{sgo} . These figures are adjusted for transfers made by State

governments such as, compensation to Zamindars and appropriation to Contingency Fund.

In addition to the data limitations pointed out above, we would like to highlight a few more problems of a general nature. The RBI survey data on ownership of government securities are not available for 1956-57. The ownership of securities as at the end of March 1957 and 1958 are not available. We have estimated the relevant figures, such as total market borrowings and market borrowings from the RBI, Commercial and Co-operative banks, Provident Funds, LIC and others by interpolation. We have used the following formulae for our estimation:

$$1. \text{ March 31, 1957} = \frac{(\text{December 31, 1957}) - (\text{March 31, 1956})}{21} \times 12$$

$$+ \text{ March 31, 1956.}$$

$$2. \text{ March 31, 1958} = \frac{(\text{December 31, 1958}) - (\text{December 31, 1957})}{12} \times 3$$

$$+ \text{ December 31, 1957.}$$

MCP/Stish.

(Rs. crore)

Year	R _b	D _{gRB}	SC _{gRB}	CB _{gRB}	TB _{CRB}	WM _{sRB}	M _{gRB}	OL _{sRB}	M _{gCB}	M _{gB}
1965-66	426.8	358.9	210.5	28.5	168.0	14.0	118.4	30.0	67.9	186.2
1966-67	211.1	109.9	63.6	-140.4	206.0	-2.0	44.4	1.9	101.2	145.6
1967-68	242.9	169.4	103.0	77.0	8.0	20.0	66.1	70.3	73.5	139.6
1968-69	414.5	300.2	288.9	58.4	236.0	-5.5	10.5	0.3	114.3	124.8
1969-70	138.3	13.2	-119.9	-44.9	-79.0	4.0	118.8	14.3	125.1	243.9
1970-71	667.8	504.6	484.6	1.6	461.0	22.0	27.9	-7.9	163.2	181.1
1971-72	993.4	751.5	678.8	445.8	231.0	2.0	71.5	1.2	241.9	213.4
1972-73	1764.4	980.2	870.9	-69.1	936.0	4.0	96.2	13.1	784.2	880.4
1973-74	1430.6	1014.3	375.2	-11.8	356.0	31.0	630.2	8.9	416.3	1046.5
1974-75	668.8	166.1	75.1	72.8	5.0	-2.7	66.5	24.5	502.7	569.2
7										
1975-76	758.6	28.3	42.9	-364.0	440.0	-32.3	-91.5	73.9	730.3	638.8

Source: 1) Government of India, Ministry of Finance, Economic and Functional Classification of Central Government Budgets, (annual).

2) Government of India, Budgets of the Central and State Governments, (annual).

3) Reserve Bank of India, "Ownership of Central and State government securities". Monthly Bulletins and Reports on Currency and Finance.

Notes: 1/ These include short term credit to the Central government through investments in treasury bills.

2/ Excludes co-operative banks.

STATEMENT 2

Resources Originating in the Banking Sector - Central Government (R_{cb})

Year	Reserve Bank of India					M _{CRB}	M _{CCB}	M _{ob}
	Resources originating in the banking sector	total	short term credit withdrawal from cash balances	total sales of Treasury bills	market borrowings			
	R _{cb}	D _{CRB}	SC _{CRB}	TB _{CRB}	M _{CRB}	M _{CCB}	M _{ob}	
1950-51	67.7	73.2	-12.4	-	85.6	-5.5	80.1	
1951-52	-96.1	-44.1	-44.9	-44.0	0.8	-52.0	-51.2	
1952-53	72.2	39.4	64.5	1.0	-25.1	32.8	7.7	
1953-54	61.1	52.1	81.3	20.0	-29.2	10.0	-19.2	
1954-55	170.7	144.1	142.8	137.0	1.3	26.6	27.9	
1955-56	146.7	140.6	159.5	123.0	-18.9	6.1	-12.8	
1956-57	218.5	209.2	185.3	241.0	23.9	9.3	33.2	
1957-58	531.1	474.8	458.1	459.0	16.7	39.6	56.3	
1958-59	28.9	-48.9	-52.8	-70.0	3.9	77.8	81.7	
1959-60	269.3	191.8	38.2	73.0	153.6	77.5	231.1	
1960-61	-65.0	70.5	-167.5	-192.0	238.0	-135.5	102.5	
1961-62	175.7	201.9	64.8	69.0	137.1	-26.2	110.9	
1962-63	217.0	210.3	106.6	125.0	103.7	6.7	110.4	
1963-64	281.4	201.6	91.4	82.0	110.2	79.8	190.0	
1964-65	227.0	161.7	122.3	62.0	39.4	65.3	104.7	
1965-66	262.0	240.9	122.5	168.0	118.4	21.1	139.5	
1966-67	234.1	188.0	143.6	206.0	44.4	46.1	90.5	
1967-68	156.7	113.1	47.0	6.0	66.1	43.6	109.7	
1968-69	261.7	203.2	188.4	236.0	14.8	58.5	73.3	
1969-70	74.3	22.9	-93.9	-79.0	118.8	51.4	170.2	

Contd.... /-

(Rs. Crore)

Year	R _{cb}	D _{CRB}	SG _{CRB}	CB _{CRB}	TB _{CRB}	F _{CRB}	M _{CCB}	M _{cb}
1970-71	495.2	414.5	386.6	-74.4	461.0	27.9	80.7 ^{1/2}	108.6
1971-72	722.4	472.3	400.8	169.8	231.0	71.5	250.1 ^{1/2}	321.6
1972-73	1590.6	910.1	849.9	-80.1	530.0	96.2	653.5 ^{1/2}	749.7
1973-74	1083.6	874.4	244.2	-111.0	350.0	630.2	210.2 ^{1/2}	840.4
1974-75	472.3	12.3	-54.2	-59.2	5.00	66.5	462.0 ^{1/2}	528.5
1975-76	397.3	-131.1	-39.6	-479.6	440.0	-91.5	528.4 ^{1/2}	436.9

Sources: 1) Government of India. Ministry of Finance: Economic and Functional Classification of Central Government Budgets. (annual).

2) Government of India. Budgets of the Central government. (annual).

3) Reserve Bank of India. "Ownership of Central and State Government Securities" Monthly Bulletins and Currency and Finance Reports.

Notes: 1/ These include short term credit to the Central government through investments in treasury bills.

2/ Excludes cooperative banks.

STATEMENT 3

Resources Originating in the Banking Sector - State Governments and Union Territories (R_{sb})

(Rs. crore)

Year	Resources originating in the banking sector	Reserve Bank of India				M _{SRB}	OL _{SRB}	M _{SCB}	M _{sb}
		total	short term credit	withdrawing and deposits	term deposits				
		SC _{SRB}	CB _{SRB}	VM _{SRB}					
1950-51	-12.2	-15.4	-10.9	-4.6	-0.8	-	4.0	3.2	
1951-52	2.1	10.0	11.0	-1.9	1.0	-	-8.9	-7.9	
1952-53	24.2	12.0	12.0	4.4	-0.4	-	12.6	12.2	
1953-54	-12.6	-18.2	-18.2	-	0.9	-	4.7	5.6	
1954-55	-19.2	-14.9	-13.9	-1.0	-1.6	-	-2.7	-4.3	
1955-56	7.6	-10.0	-10.0	-	-	-	17.6	17.6	
1956-57	97.1	83.3	77.2	6.1	0.7	-	13.1	13.8	
1957-58	40.3	22.3	12.9	9.4	0.1	-	17.8	17.9	
1958-59	12.5	-9.2	-3.3	-5.9	-0.6	-	22.5	21.7	
1959-60	57.7	16.3	18.3	-2.0	-	5.0	36.4	36.4	
1960-61	7.0	-1.0	-1.2	3.2	2.2	1.7	4.1	6.3	
1961-62	51.8	15.8	4.7	11.1	0.9	7.7	27.4	28.3	
1962-63	-4.5	-35.6	-31.3	-4.3	0.4	-3.7	34.4	34.8	
1963-64	18.4	37.5	21.4	16.5	-	5.2	-23.7	-23.7	
1964-65	22.2	-5.7	-4.4	-1.3	0.8	5.0	22.1	22.9	

Contd..

(Rs. crore)

Year	R _{sb}	D _{sRB}	SC _{sRB}	CB _{sRB}	WM _{sRB}	M _{sRB}	OL _{sRB}	M _{sCB}	M _{sb}
1965-66	164.8	116.0	88.0	74.0	14.0	-	30.0	46.8	46.8
1966-67	-23.0	-78.1	-80.0	-73.0	-2.0	-	1.5	55.1	55.1
1967-68	86.2	56.3	56.0	36.0	20.0	-	0.3	25.9	29.9
1968-69	152.8	97.0	100.5	106.0	-5.5	-4.3	0.8	55.8	51.5
1969-70	64.0	-9.7	-24.0	-28.0	4.0	-	14.3	73.7	73.7
1970-71	172.6	90.1	98.0	76.0	22.0	-	-7.9	92.5	82.5
1971-72	271.0	279.2	278.0	276.0	2.0	-	1.2	-8.2	-8.2
1972-73	164.8	34.1	21.0	17.0	4.0	-	13.1	130.7	130.7
1973-74	346.0	139.9	131.0	100.0	31.0	-	8.9	206.1	206.1
1974-75	194.5	153.8	129.3	132.0	-2.7	-	24.5	40.7	40.7
1975-76	361.3	159.4	82.5	114.8	-32.3	-	76.9	201.9	201.9

Sources: 1) Reserve Bank of India. "Ownership of Central and State Government Securities".
Monthly Bulletins and Reports on Currency and Finance.

2) Budgets of the State government. (annual).

Note: 1/ Cooperative Banks are not included.

STATEMENT 4

Resources Originating in the Non-Banking Private Sector - Government Sector (Rs. crore)

Year	Resources originating in the non-banking private sector			Provident funds			Life Insurance Corporation			Small savings		Market borrowings from non-banking private sector		Other (residual) resources
	Rp	PFg	PFgCR	MgPF	Ls	MgL	HsL	SSg	MgP	OgP				
1950-51	-82.9	11.6	11.6	N.A. 4/4	-0.7	0.7	-	33.5	-0.7	-127.3				
1951-52	144.7	12.8	12.8	N.A. 4/4	8.5	8.5	-	38.5	8.5	84.5				
1952-53	-26.8	3.8	3.8	N.A. 4/4	17.4	17.3	-	39.8	17.3	-87.8				
1953-54	101.5	4.5	4.5	N.A. 4/4	11.5	11.4	-	39.7	11.4	45.8				
1954-55	175.1	7.6	7.6	N.A. 4/4	8.4	8.4	-	55.5	8.4	103.6				
1955-56	213.3	24.9	24.9	N.A. 4/4	8.9	8.5	-	66.5	8.5	113.0				
1956-57	226.3	111.3	111.3	N.A. 4/4	58.3	58.3	-	50.0	58.3	4.7				
1957-58	131.4	28.5	28.5	N.A. 4/4	51.6	51.0	-	69.5	51.6	-18.7				
1958-59	170.3	50.5	24.7	25.8	30.6	30.6	-	78.2	56.4	11.0				
1959-60	176.8	67.0	35.3	31.7	30.1	26.0	4.1	62.5	57.7	16.8				
1960-61	307.2	103.2	58.9	44.3	58.9	51.6	7.3	103.9	45.9	41.3				
1961-62	154.4	96.1	53.1	43.0	38.2	32.5	5.7	87.0	75.5	-66.9				
1962-63	257.4	108.3	57.1	51.2	55.0	38.6	17.4	75.8	89.8	17.3				
1963-64	268.0	130.5	70.9	59.6	47.5	34.8	12.7	125.3	94.4	-38.3				
1964-65	257.5	145.4	71.9	73.5	39.0	24.0	15.0	127.4	97.9	-54.3				

Contd..

(Rs. crore)

Year	R P	PF g	PF gCR	M gPF	L s	M gL	H sL	SS g	M gp	O gp
1965-66	462.1	170.2	83.7	86.5	49.5	34.5	15.0	151.2	121.0	91.2
1966-67	312.4	184.2	76.8	107.4	107.8	23.8	12.0	118.2	133.2	-27.8
1967-68	574.3	200.9	115.7	85.2	54.0	41.0	13.0	123.1	126.2	196.3
1968-69	463.0	211.8	101.9	109.9	71.1	58.8	12.3	113.5	168.7	66.6
1969-70	505.7	253.0	166.8	86.2	63.3	48.5	14.8	128.6	134.7	60.8
1970-71	776.8	266.3	165.3	101.0	86.3	69.3 ^{3/}	17.0	183.9	170.3	240.3
1971-72	768.3	252.1	191.5	60.6	88.6	71.5 ^{3/}	17.1	224.0	132.1	203.6
1972-73	805.5	298.4	196.8	101.8	103.7	167.7 ^{3/}	18.0	373.0	189.3	30.4
1973-74	597.1	348.5	231.2	117.3	139.2	119.4 ^{3/}	19.8	474.4	236.7	-365.0
1974-75	1129.00	589.7	316.6	273.1	170.7	150.3 ^{3/}	20.4	277.5	423.4	91.1
1975-76	1307.9	754.5	471.4	283.1	153.3	131.5 ^{3/}	21.8	392.8	414.6	7.3

Sources: 1) Government of India. Ministry of Finance. Economic and Functional Classifications of Central Government Budgets. (annual)

2) Government of India. Budgets of the Central and State governments. (annual)

3) Reserve Bank of India. "Ownership of Central and State Government Securities". Monthly Bulletins and Reports on Currency and Finance.

Notes: 1/ Includes State Provident Fund, Public Provident Fund and Special deposits of Non-government Provident Funds.

2/ Provident Funds not covered after 1970-71 are Provident Funds of LIC, ICICI, Scheduled and Nationalised Banks, State Electricity Boards, Seamen and Air India Employees.

3/ Includes Life insurance only. For these years the General insurance and Employees' State insurance are covered under others (residual) i.e., in C_{gp}.

4/ Included in other (residual) resources' of government sector, O_{gp}.

5/ These are loans to State governments for Housing including Flood/Earthquake reliefs.

STATEMENT 5

Resources Originating in the Non-Banking Private Sector - Central Government(R_{cp})

(Rs. crore)

Year	Resources originating in the non-banking private sector	Provident Funds				M _{CPF}	M _{CL}	SS _C	Market borrowings from non-banking private sector	Other resources (residual)
		total	capital receipts	market borrowings	Small savings, Central government's share					
	R _{cp}	PF _C	PF _{CCR}	M _{CPF}	M _{CL}	SS _C	M _{up}	O _{cp}		
1950-51	-85.8	8.5	8.5	N.A.	-0.7	33.5	-0.7	-131.1		
1951-52	59.9	10.2	10.2	N.A.	8.9	38.0	8.9	2.8		
1952-53	-52.8	-	N.A.	N.A.	0.9	14.5	0.9	-68.2		
1953-54	42.6	-	N.A.	N.A.	5.5	-1.4	5.5	38.5		
1954-55	112.0	-	N.A.	N.A.	6.4	14.3	6.4	91.3		
1955-56	124.5	16.2	16.2	N.A.	3.0	31.8	3.0	53.5		
1956-57	116.5	18.8	18.8	N.A.	49.3	30.7	49.3	17.7		
1957-58	75.6	20.7	20.7	N.A.	41.1	29.2	41.1	-15.4		
1958-59	94.3	45.2	19.5	25.7	17.1	32.5	42.8	-0.2		
1959-60	73.8	55.4	23.8	31.6	12.7	9.4	44.3	-3.7		
1960-61	142.6	87.5	43.2	44.3	9.7	32.3	54.0	13.1		
1961-62	31.7	82.0	39.1	42.9	8.0	25.5	50.9	-83.8		
1962-63	143.5	93.9	43.3	50.6	13.4	28.8	64.0	7.4		
1963-64	174.7	109.5	49.9	59.6	24.6	57.8	84.2	-17.2		
1964-65	103.1	122.4	49.1	73.3	13.0	38.8	86.3	-71.1		

Contd..

(Rs. crore)

Year	R _{cp}	FF _c	PF _{CCR}	M _{CPF}	M _{CL}	SS _c	M _{cp}	O _{cp}
1965-66	308.7	141.1	54.8	86.3	11.0	67.0	97.3	89.6
1966-67	181.0	152.7	47.9	104.8	22.4	39.4	127.2	-33.5
1967-68	490.9	159.8	75.4	84.4	24.8	114.3	109.2	192.0
1968-69	299.8	123.3	42.4	80.9	38.6	49.4	119.5	88.5
1969-70	327.3	160.4	80.3	80.1	33.0	74.4	118.1	54.5
1970-71	599.2	186.8	91.6	95.2	57.3	122.2	152.5	232.5
1971-72	489.5	167.5	106.2	61.3	59.0	139.4	120.3	103.6
1972-73	532.6	166.2	96.2	70.0	74.8	251.3	144.8	40.3
1973-74	241.4	179.7	100.5	79.2	61.4	231.8	140.6	231.3
1974-75	529.4	331.7	191.4	140.3	109.7	11.3	250.0	76.7
1975-76	801.7	513.1	337.6	175.5	85.0	145.1	260.5	58.5

Sources: 1) Government of India, Ministry of Finance, Economic and Functional Classification of Central Government Budget, (Annual).

2) Government of India, Budget of the Central Government (Annual).

3) Reserve Bank of India, "Ownership of Central and State Government Securities".
Monthly Bulletins and Reports on Currency and Finance.

Note: 1/ Included in other(residual) resources of Central Government, O_{cp}.

N.A. - Not available.

STATEMENT 6

Resources Originating in the Non-Banking Private Sector - State Governments and Union Territories Rsp

(Rs. crore)

Year	Resources originating in the non-banking private sector	Provident Funds			Life Insurance Corporation		Small savings, State government's share	Market borrowings from non-banking private sector	Other (residual) resources	
		Total	capital receipts	market borrowings	total	market borrowings from non-banking private sector				
	Rsp	PFs	PF SCR	MSPF	US	MSP	HSL	SSs	MSP	Other
1950-51	6.9	3.1	3.1	N.A.	-	-	-	9.54	-	3.8
1951-52	84.8	3.8	3.6	N.A.	15.5	16.5	-	25.34	13.5	81.7
1952-53	26.0	4.5	4.5	N.A.	0.0	6.0	-	41.14	6.0	-19.3
1953-54	28.9	7.6	7.6	N.A.	2.0	2.0	-	41.2	2.0	7.3
1954-55	63.1	8.7	8.7	N.A.	5.9	5.9	-	14.7	5.9	12.3
1955-56	88.8	92.5	92.5	N.A.	9.0	9.0	-	13.3	9.0	59.5
1956-57	109.8	8.2	8.2	N.A.	10.5	10.5	-	40.3	10.5	-11.0
1957-58	55.8	5.3	5.3	N.A.	13.5	13.5	-	45.3	13.5	3.2
1958-59	76.0	11.6	11.6	N.A.	17.4	13.3	4.1	53.3	13.3	11.9
1959-60	103.0	15.7	15.7	N.A.	49.2	41.9	7.3	71.6	41.9	20.5
1960-61	164.7	14.1	14.0	0.1	30.2	24.5	5.7	61.5	24.5	28.2
1961-62	122.7	14.4	13.8	0.6	42.6	25.2	17.4	47.0	25.2	16.9
1962-63	113.9	21.0	21.0	-	22.0	10.2	12.7	70.5	10.2	9.9
1963-64	93.3	23.0	22.8	0.2	26.0	11.0	15.0	88.6	11.2	-21.1
1964-65	154.4	29.1	28.9	0.2	38.5	25.5	15.0	84.2	23.7	16.8
1965-66	153.4	31.5	28.9	2.6	15.7	3.4	12.0	78.8	6.0	1.6
1966-67	131.4	41.1	40.3	0.8	29.2	16.2	13.0	8.8	17.0	5.7
1967-68	83.4	88.5	59.5	29.0	22.5	20.2	12.3	64.1	49.2	4.3
1968-69	163.2	92.6	86.5	6.1	25.3	10.5	14.8	54.2	16.6	-1.9
1969-70	178.4									6.3

Contd....

(Rs. crore)

Years	R _{sp}	P F _{scr}	M _{st.F}	U _s	M _{sl}	H _{sl}	SS _s	M _{sh}	O _{sp}
1970-71	177.6	79.5	5.8	29.0	12.0	17.0	61.7	17.8	7.4
1971-72	278.8	85.3	-0.7	29.3	12.5	17.1	64.0	11.8	100.0
1972-73	272.9	100.6	31.6	28.9	12.9	16.0	121.7	44.5	-9.9
1973-74	355.7	130.7	38.1	77.8	58.0	19.3	242.8	193.1	133.7
1974-75	599.6	257.0	132.8	61.0	40.6	20.4	230.2	173.4	114.4
1975-76	506.2	241.4	107.6	68.3	46.5	21.8	247.7	154.1	51.2

Sources : 1) Government of India. Budgets of the State governments. (annual)

2) Reserve Bank of India. "Ownership of Central and State government Securities".
Monthly Publications and Reports on Currency and Finance.

Notes : / Also includes the holdings of government guaranteed securities which are not covered in this statement.

/ Included in other (Residual) resources of the States, O_{sp}.

/ Please refer to footnotes in Statement 4.

This includes a small part of other loans.

// These are loans to State governments for Housing, including Flood/Earthquake reliefs.

STATEMENT 7

Resources From Rest of the World (R_r)

(Rs. crore)

Year	Resources from rest of the world	Loans and grants			Transfers to the rest of the world			International financial organisation
		total	loans from abroad	foreign capital grants	total	loans to foreign governments	subscription to international financial organisation	
	R _r	T _W	ED	FG	T _W	I _f	S _W	
1950-51	3.3	3.3	4.3	-	-	-	-	
1951-52	60.6	61.6	57.6	4.0	1.0	1.0	-	
1952-53	40.2	40.7	28.7	12.0	0.5	0.5	-	
1953-54	14.9	15.6	-1.4	17.0	0.7	0.7	-	
1954-55	12.7	12.7	-2.6	15.3	-	-	-	
1955-56	37.2	37.6	-0.5	38.1	0.3	0.3	-	
1956-57	37.2	39.4	12.7	26.7	2.2	0.1	2.1	
1957-58	74.2	89.2	73.9	15.4	15.1	15.1	-	
1958-59	220.8	221.9	203.5	18.4	1.1	1.1	-	
1959-60	93.8	197.8	159.3	38.5	104.0	8.7	95.3	
1960-61	470.5	487.0	456.6	30.4	16.4	12.9	3.5	
1961-62	328.6	338.5	305.0	33.5	9.9	6.2	3.7	
1962-63	413.8	434.5	368.3	56.2	20.7	17.0	3.7	
1963-64	517.3	532.1	461.3	70.8	14.8	11.1	3.7	
1964-65	631.6	647.5	516.4	131.1	15.9	12.2	3.7	
1965-66	578.5	682.9	615.0	67.9	104.4	33.0	71.4	
1966-67	574.5	830.6	746.3	84.3	256.1	45.5	210.6	
1967-68	640.2	712.4	694.8	17.6	72.2	68.7	3.5	
1968-69	442.1	496.3	406.9	89.4	54.2	47.2	7.0	
1969-70	505.4	574.0	539.1	34.9	68.6	61.6	7.0	

Contd.

(Rs. crore)

Year	R _Y	L _W	ED	FG	T _W	L _f	S _W
1970-71	183.7	412.0	343.8	68.2	228.3	71.2	157.1
1971-72	293.2	347.2	325.0	21.6	53.4	53.4	-
1972-73	177.3	299.7	274.8	24.7	122.2	115.2	7.0
1973-74	201.6	491.2	- 1182.3	1673.3	289.9	275.6	14.3
1974-75	421.2	757.9	654.1	103.9	336.8	336.8	-
1975-76	1293.9	1757.1	1473.8	283.3	462.9	235.7	227.2

Source : Ministry of Finance. Economic and Functional Classification of Central Government Budget. (annual)

STATEMENT 8

Resources Going From Government Sector to Other Sectors (Rs. crores)

Year	Resources going to other sectors					Transfers from Centre to other sectors		R _{goc}	R _{goc}
	R _{go}	Total	capital for- mation	loans (net)	investments in shares	others	Transfers from State to other sectors		
1950-51	30.1	13.7	0.8	4.5	4.8	3.6	16.4		
1951-52	77.6	23.6	6.1	11.6	4.2	1.7	54.0		
1952-53	19.2	15.9	5.2	7.2	2.3	1.2	3.3		
1953-54	32.1	23.6	4.6	13.6	4.6	0.8	8.8		
1954-55	67.6	57.3	15.4	23.2	6.2	12.5	10.3		
1955-56	155.7	93.1	16.6	24.0	3.4	49.1	62.6		
1956-57	149.9	105.4	11.9	49.4	26.3	17.8	44.5		
1957-58	282.4	212.4	5.3	47.4	146.6	13.1	70.0		
1958-59	358.5	285.4	11.2	85.5	178.3	10.4	83.1		
1959-60	385.1	273.6	23.1	193.7	49.7	7.1	111.5		
1960-61	408.2	249.7	27.7	127.9	76.9	17.2	158.5		
1961-62	354.4	217.0	33.8	82.9	85.4	14.9	137.4		
1962-63	487.5	318.6	37.1	115.9	141.4	24.2	168.9		
1963-64	615.4	370.3	44.3	137.4	169.3	19.3	245.1		
1964-65	709.5	414.1	45.9	192.8	154.9	20.5	295.4		
1965-66	1035.6	520.6	36.0	326.4	139.9	18.3	515.0		
1966-67	790.0	513.0	26.3	339.1	129.9	17.7	277.0		
1967-68	882.4	556.4	20.6	366.3	150.2	19.3	326.0		
1968-69	963.0	662.3	18.9	425.4	303.4	18.1	300.7		
1969-70	763.1	480.4	27.2	129.8	303.4	20.0	282.7		

Cont'd.....

(Rs. crore)

Year	R _{GO}	R _{CGO}	CF _{GO}	L _{CO}	IS _{CO}	TO _C	R _{SGO}
1970-71	519.1	602.2	26.3	260.8	304.6	10.5	316.9
1971-72	576.0	603.5	35.2	155.8	373.2	41.3	372.5
1972-73	1032.3	834.7	30.4	326.3	299.3	158.7	458.6
1973-74	1250.0	840.5	41.6	441.5	300.4	57.0	409.5
1974-75	1999.5	1415.0	62.7	852.2	448.9	51.2	573.5
1975-76	265.7	2166.3	131.8	1116.6	851.8	66.1	697.2

Source: 1) Ministry of Finance. Economic and Functional Classification of Central Government Budget. (annual)

2) Government of India. Budgets of the Central and State governments. (annual)

STATEMENT 9

Resources Transferred from the Central Government to the State Governments and Union Territories (Rs. crore)

Year	Resources transferred	Grants for capital formation		Loans capital formation	Repayments		Flow of funds to States (net)	Market borrowings to States	Increase in State securities held by Centre	Increase in State securities held by States
		CF _{ges}	CF _{lcs}		LC _{cs}	LR _{cs}				
1950-51	65.9	1.6	39.5	21.4	8.1	11.5	-	-11.5		
1951-52	82.8	2.0	73.3	1.2	12.2	16.8	-	-16.8		
1952-53	72.5	2.2	96.6	10.7	13.8	-1.9	-	1.9		
1953-54	101.4	6.1	126.2	12.7	13.2	-5.0	13.1	18.1		
1954-55	67.6	15.4	217.7	34.7	18.7	-42.1	-0.1	12.0		
1955-56	213.5	18.8	256.4	-13.2	25.2	-23.0	-9.0	14.3		
1956-57	122.7	18.7	187.3	5.4	36.1	-53.6	1.7	-55.3		
1957-58	241.0	13.5	248.1	4.8	61.4	45.6	0.6	45.0		
1958-59	184.6	20.6	252.5	23.7	61.9	-12.9	-	12.9		
1959-60	167.1	27.9	275.3	34.4	80.9	-20.8	-	20.8		
1960-61	198.3	23.8	295.5	-28.4	95.5	2.9	-	-2.9		
1961-62	286.0	25.3	349.1	41.8	133.9	3.7	-	-3.7		
1962-63	357.8	29.4	418.2	58.3	144.8	3.3	-	3.3		
1963-64	403.1	33.4	571.0	6.8	179.3	-15.2	0.7	15.9		
1964-65	428.6	40.9	630.7	-23.8	216.0	-3.2	-0.6	2.6		
1965-66	561.2	77.6	661.8	89.8	276.3	8.3	0.6	-7.7		
1966-67	592.5	97.7	627.8	228.7	281.3	-80.4	0.1	-29.5		
1967-68	625.2	97.2	595.9	298.0	378.0	12.1	-0.1	-12.3		
1968-69	431.5	91.1	617.5	233.6	552.1	41.4	-0.1	-18.5		
1969-70	432.3	144.5	547.7	454.4	633.1	-81.2	-	-14.8		

Contd.....

(Rs. crore)

Year	R _{cs}	CF _{gcs}	L _{cs}	CF _{lcs}	LO _{cs}	LR _{cs}	M _{cs}	MS _c	MC _s
1970-71	579.9	156.5	307.7	583.7	382.2	658.2	115.7	-0.3	-1.0
1971-72	558.5	209.3	289.6	675.4	468.6	854.4	59.6	-0.3	-0.9
1972-73	906.7	219.5	741.1	842.8	576.1	677.8	-53.9	-	6.9
1973-74	657.7	257.7	364.1	933.1	399.7	968.7	35.9	-	17.1
1974-75	214.0	361.1	353.3	927.0	-66.3	507.4	-400.4	-	9.4
1975-76	626.2	337.8	340.1	1095.5	-105.4	650.0	-51.7	-	28.7

Sources : 1) Government of India, Ministry of Finance. Economic and Functional Classification of Central Government Budgets. (annual).

2) Reserve Bank of India. "Ownership of Central and State Government Securities".
Monthly Bulletins and Reports on Currency and Finance.

Notes : 1/ States' share in small savings (SS_s) has been adjusted in the other loans to State governments.

2/ These figures are adjusted for State governments' investments in treasury bills.

STATEMENT 10

Market Borrowings by the Central and State Governments

Year	Government sector		Central government		State government		Total
	net	gross repayments	net	gross repayments	net	gross repayments	
1950-51	3.6	38.8	42.4	41.7	7.8	8.5	0.7
1951-52	22.7	61.9	84.6	84.6	11.5	11.5	-
1952-53	10.3	17.2	6.9	1.0	11.2	17.1	5.9
1953-54	1.8	114.9	116.7	112.4	35.2	39.6	4.4
1954-55	123.5	180.0	50.5	158.7	17.0	21.3	4.3
1955-56	83.4	158.9	75.4	103.7	48.7	55.1	6.3
1956-57	141.3	226.4	85.1	157.7	63.9	68.7	5.2
1957-58	73.6	146.1	72.5	136.2	4.8	9.9	5.1
1958-59	226.8	256.3	29.5	201.9	46.0	54.4	8.4
1959-60	180.0	298.6	118.6	229.0	68.0	69.6	1.4
1960-61	138.2	260.7	122.5	181.0	66.7	79.7	13.0
1961-62	139.1	289.7	150.6	202.6	74.2	87.1	12.9
1962-63	178.2	377.0	198.8	278.9	81.6	98.1	16.5
1963-64	170.3	382.7	212.4	367.1	-21.0	15.6	36.5
1964-65	180.3	392.4	212.1	296.7	72.6	95.7	23.1
1965-66	224.0	381.3	157.3	278.6	100.4	102.7	2.3
1966-67	179.6	366.6	187.0	275.3	87.1	91.3	4.2
1967-68	198.0	481.0	283.0	350.5	104.6	130.5	25.9
1968-69	155.7	444.7	289.0	320.7	76.5	124.0	47.4
1969-70	245.5	710.6	465.1	536.5	102.4	174.1	71.7

(Rs. crore)

Contd.....

	(Rs. crore)									
1970-71	260.1	593.0	332.9	144.5	427.8	283.4	115.7	165.2	49.5	
1971-72	408.1	804.1	396.0	293.9	627.0	333.1	114.3	177.1	62.9	
1972-73	623.3	994.7	371.4	486.5	778.5	292.0	136.8	216.2	79.4	
1973-74	629.0	1193.7	564.7	463.7	1025.4	561.6	165.2	168.3	3.1	
1974-75	699.9	1002.6	302.7	480.5	695.8	219.3	219.4	306.8	87.4	
1975-76	732.4	937.5	205.1	456.4	661.1	204.6	276.0	276.4	0.4	

Source : Government of India. Ministry of Finance. Budget documents, (various issues)

Notes : 1/ Includes State's share of centralised borrowing.

2/ Includes Uttar Pradesh Zamindari Abolition bonds.

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