

Savings and Capital Formation

2.27 The Economic and Functional Classification (EFC) of the Central Government Budget captures the fiscal impact of the Central Government (including those of Railways, Posts and Telecommunications) in terms of distinct economic categories and functions/purposes. According to the EFC, the total expenditure of the Central Government is budgeted to show a modest increase of 8.8 per cent to Rs.3,69,272 crore in 2001-02(BE) from Rs. 3,39,293 crore in 2000-01(RE). As a proportion of the GDP, total central government expenditure fell from 17.2 per cent in 1990-91 to 14.7 per cent in 1996-97 but edged up to 15.9 per cent in 1999-2000. However, it is estimated at 16.1 per cent in 2001-02 compared with 16.2 per cent in 2000-01(RE). The growth in consumption expenditure of the Central Government is expected to decelerate from 15.3 percent in 2000-01 (RE) to 10.9 per cent in 2001-02(BE). The consumption expenditure which constituted 3.9 per cent of GDP in 1990-91 declined to 3.2 per cent in 1996-97, and is budgeted at 3.8 percent in 2001-02. Similarly, expenditure on current transfers are

budgeted to grow by about 11 per cent in 2001-02 as against a growth of around 16 per cent in 2000-01(RE). The current transfers which constituted 7.9 per cent of GDP in 1990-91 declined to 7.4 per cent in 1996-97 but shows an increasing trend at 9.1 per cent of GDP in 2001-02(BE) (Table 2.5).

2.28 Gross dissavings of the Central Government, in absolute terms, are budgeted at Rs. 65,898 crore in 2001-02 and show a deterioration of Rs.7,601 crore compared with dissavings of Rs.58,297 crore in 2000-01(RE). As a proportion of GDP, gross dissavings of the Central Government are budgeted at 2.9 per cent in 2001-02, compared with 2.8 per cent of GDP in 2000-01(RE) (Table 2.5).

2.29 Gross capital formation (GCF), out of budgetary resources of the Central Government, is budgeted to increase by 4.4 percent to Rs.66,759 crore in 2001-2002 from Rs.63,928 crore in 2000-01(RE) when it declined by 5.4 per cent. As a proportion of GDP, GCF is budgeted at 2.9 per cent in 2001-2002, compared with 3.1 percent in 2000-01(RE). (Table 2.5).

TABLE 2.5

Total Expenditure and Capital Formation by the Central Government and its Financing
(As per Economic and Functional Classification of the Central Government Budget)

	1990-91	1996-97	1997-98	1998-99	1999-2000	2000-01 (RE)	2001-02# (BE)
(Rs. Crore)							
I. Total expenditure	97947	200589	224866	263755	307509	339293	369272
II. Gross capital formation out of budgetary resources of Central Government	28032	50279	54815	57807	67602	63928	66759
(i) Gross capital formation by the Central Government	8602	17946	18955	20647	26075	20260	21125
(ii) Financial assistance for capital formation in the rest of the economy	19430	32333	35860	37160	41527	43668	45634
III. Gross Saving of the Central Government	-10502	-9406	-23396	-41893	-46191	-58297	-65898
IV. Gap(II-III)	38534	59685	78211	99700	113793	122225	132657
a. Draft on other sectors of domestic economy	34768	55507	76102	96793	111505	120924	130094
(i) Domestic capital receipts	23421	42323	77012	97029	110641	118319	130094
(ii) Budgetary deficit/draw down of cash balance	11347	13184	-910	-236	864	2605	0
b. Draft on foreign savings	3766	4178	2109	2907	2288	1301	2563
(As per cent of GDP)							
I. Total expenditure	17.2	14.7	14.8	15.2	15.9	16.2	16.1
II. Gross capital formation out of budgetary resources of Central Government	4.9	3.7	3.6	3.3	3.5	3.1	2.9
(i) Gross capital formation by the Central Government	1.5	1.3	1.2	1.2	1.4	1.0	0.9
(ii) Financial assistance for capital formation in the rest of the economy	3.4	2.4	2.4	2.1	2.2	2.1	2.0
III. Gross Saving of the Central Government	-1.8	-0.7	-1.5	-2.4	-2.4	-2.8	-2.9
IV Gap(II-III)	6.8	4.4	5.1	5.7	5.9	5.9	5.8
Financed by							
a. Draft on other sectors of domestic economy	6.1	4.1	5.0	5.6	5.8	5.8	5.7
(i) Domestic capital receipts	4.1	3.1	5.1	5.6	5.7	5.7	5.7
(ii) Budgetary deficit/draw down of cash balance	2.0	1.0	-0.1	0.0	0.0	0.1	0.0
b. Draft on foreign savings	0.7	0.3	0.1	0.2	0.1	0.1	0.1
(increase over previous year)							
II. Gross capital formation out of budgetary resources of Central Government	-15.1	11.0	9.0	5.5	16.9	-5.4	4.4
Memorandum items							
(Rs. Crore)							
1. Consumption expenditure	22359	44238	53090	59920	68831	79329	87984
2. Current transfers	45134	100807	111577	137611	161549	187899	208408
(As per cent of GDP)							
1. Consumption expenditure	3.9	3.2	3.5	3.4	3.6	3.8	3.8
2. Current transfers	7.9	7.4	7.3	7.9	8.4	9.0	9.1
<p># The ratios to GDP for 2001-2002 (BE) at current market prices are based on CSO's Advance Estimates released in January, 2002.</p> <p>Notes : (i) Gross capital formation in this table includes loans given for capital formation on a gross basis. Consequently domestic capital receipts include loan repayments to the Central Government.</p> <p>(ii) Consumption expenditure is the expenditure on wages & salaries and commodities & services for current use.</p> <p>(iii) Interest payments, subsidies, pension etc. are treated as current transfers.</p> <p>(iv) Gross capital formation & total expenditure are exclusive of loans to States'/UTs against States'/UTs share in the small savings collection.</p>							