

CHAPTER XIX  
DOMESTIC SAVING

Coverage

19.1. Saving represents the excess of current income over current expenditure and is the balancing item on the income and outlay accounts of producing enterprises, and households, government administration and other final consumers. For preparing the estimates of domestic saving, the economy has been divided into three broad institutional sectors : (i) household; (ii) private corporate; and (iii) public.

Methodology and Source Material

Household sector saving

19.2. The household sector comprises, apart from individuals, all non-government non-corporate enterprises like sole proprietorships and partnership owned and/or controlled by individuals and non-profit institutions which furnish educational, health, cultural, recreational and other social and community service to households.

19.3. Saving of the household sector is measured as the total of financial saving and saving in the form of physical assets. The financial assets comprise currency, net deposits, investment in shares and debentures (issued by the corporate sector), net claims on government in the form of small savings, central and State government securities and net increase in the claims of households in life insurance and provident funds. Physical assets include construction, machinery and equipment and stocks held by various constituents included in the household sector.

Financial saving

Currency

19.4. Household saving in the form of currency is obtained as a residual from the total currency with the public deducting the amounts of currency held by all other sectors. The data on total currency with the public as on 31st of March every year (excluding the amounts held by the commercial banks and co-operative banks) are available in the special tables published in the RBI Bulletins. The sectors/institutions other than households in respect of which the amount of currency holdings are deducted are :

- (i) private corporate business;
- (ii) cooperative institutions (other than cooperative banks) and general insurance corporation including its subsidiaries companies ;

(iii) government companies, statutory corporations, railways and central and State government treasuries; and

(iv) local authorities and port trusts.

19.5. Data on currency held by the private corporate business are obtained from the RBI sample studies on company finances of non-government non-financial medium and large public and private limited companies, small public and private limited companies, branches of foreign companies and private financial and investment companies published in the RBI Bulletins. The figures obtained from the sample studies are blown-up on the basis of the ratio of the paid-up capital of the sample companies to the paid-up capital of all the companies to obtain the corresponding global estimates (Appendix 19.1). In the case of branches of foreign companies, however, the total assets instead of the paid up capital figures are used for the blowing up purpose.

19.6. In the case of cooperative institutions separate information on currency holding is available only for some of the institutions. For others, the total figures of cash and bank balances are available. In the case of primary and central land development banks, currency holding is estimated from the totals of cash and bank balances on the basis of the proportion of currency holding to total of cash and bank balances relating to central cooperative banks. Similarly, the proportions worked out for non-agricultural credit societies are used to work out the estimates of currency holding of grain banks. Since 1973-74, separate information on cash holding of all cooperative banks and societies is available. The relevant data are taken from the RBI annual publication *Statistical Statements relating to Cooperative Movement in India*. In the case of institutions for which no data are available, currency holding is assumed to be negligible.

19.7. In the absence of any direct information on currency holding for general insurance companies<sup>58</sup> prior to nationalisation the estimates are worked out using the proportions of currency holding to total of cash and bank balances as revealed by the RBI studies on finances of sample financial and investment companies<sup>59</sup>. Since the nationalisation of general insurance business in 1972 the relevant information is worked out from the balance sheets.

19.8. The estimates for the government companies and statutory corporations are built

<sup>58</sup> Consolidated accounts of these companies are given in the *Indian Insurance Year Book*, Controller of Insurance Government of India (Annual).

<sup>59</sup> Finances of Financial and Investment Companies, *RBI Bulletin*.

using the results of the analysis of the annual accounts of these companies and corporations. However, in the case of LIC, data on currency holding are obtained directly from the concerned agency. For railways data are collected from the Railway Board. The cash balances of the treasuries are taken from the *Combined Finance and Revenue Accounts of Central and State Governments*.

19.9. The figures for various local authorities (including port trusts) for different years are taken from available survey reports on local authorities published by the RBI<sup>60</sup>. The surveys cover only port trusts, municipal corporations and municipalities with population of one lakh or more and the estimates built using this information are adjusted for non-response on the basis of population of the non-responding units.

#### *Net deposits*

19.10. Savings of the households in the form of deposits with the commercial banks, non-banking companies and the co-operative credit and non-credit societies (including cooperative banks) are taken net of advances of these institutions to the households.

19.11. Data on deposits and advances of all types of commercial banks (both Indian and foreign) are available in the detailed tables on liabilities and assets of the commercial banking companies obtained from the RBI. This information is compiled by the RBI on the basis of the monthly reports submitted by the banking companies under section 27 of the Banking Regulation Act, 1949. Since 1975-76, data published in the special tables of *RBI Bulletin* on scheduled and non-scheduled commercial banks business in India are utilised due to non-availability of detailed information as on 31st March each year.

19.12. As regards deposits, data are available for both demand and time deposits (excluding intra-bank deposits). For the purpose of estimation of household saving in the form of deposits with commercial banks, details are required on the households' share of demand and time deposits other than intra-bank deposits. Such details are obtained from the survey of ownership of deposits with scheduled Commercial Banks<sup>61</sup> conducted by the RBI through Basic Statistical Returns (BSR) in 1975-76. The ratio of households deposits to total deposits as revealed by the results of these surveys is applied to the figures of total deposits (excluding intra-bank deposits and including saving deposits) to obtain the households deposits with commercial banks. For working out the ratio, the households deposits are estimated from the

survey results as the sum of saving deposits and deposits under (i) un-incorporated concerns proprietary and partnership firms, (ii) trusts, associations, clubs etc., (iii) others (n.e.c.) and (iv) individuals including Hindu undivided families. For the earlier period, the RBI surveys on ownership of deposits with commercial banks<sup>61</sup> which were not based on BSR were utilised and adjusted for provident fund deposits with banks.

19.13. Total commercial bank credit consists of (i) bills purchased and discounted and (ii) loans/advances, cash credits and overdrafts, data on which are available from the RBI. In order to estimate the portions of the credit given to the households by the commercial banks, the results of the RBI surveys<sup>62</sup> through BSR on (i) distribution of outstanding credit of scheduled commercial banks according to occupation and (ii) classification of outstanding credit of scheduled commercial banks according to occupation and organisation are utilised. The advances made to (i) partnerships (including proprietary concerns, joint families and individuals) under the heads plantations, industry (excluding personal and professional services), trade and all others, (ii) agriculture and allied activities (excluding advances for agriculture to government and corporate sector and for plantations), (iii) personal and professional services, (iv) personal loans, and (v) shroffs, dealers engaged in hire-purchases under financial institutions have been considered to be advances to household sector. The proportion of bank advances to the households to the total bank advances is worked out for each year and applied to the figures of total bank credit to estimate advances to households by commercial banks.

19.14. The main source of information on deposits of households with non-banking companies is the surveys on Growth of Deposits with Non-banking Companies<sup>63</sup>. Details of deposits according to type of depositors are available from the results of these surveys and these are used to estimate the deposits made by the households in non-banking companies.

19.15. Information on deposits of households with cooperative societies/banks is available annually from the *Statistical Statements Relating to the Cooperative Movement in India (RBI)*. In the case of credit societies/Banks, information available on deposits under the head 'individuals and others' is taken. Since this category includes deposits made by the local bodies etc. with the cooperative societies/banks these are netted out to obtain the estimate exclusively for households. Since no data according to ownership of deposits are available in case of non-credit societies, it is assumed that whole of the

<sup>60</sup> "Finances of Local Authorities", *RBI Bulletin*.

<sup>61</sup> *RBI Bulletin*s and *Statistical Tables Relating to Banks in India*.

<sup>62</sup> *Banking Statistics—Basic Statistical Returns*.

<sup>63</sup> *RBI Bulletin*s.

amount of deposits with primary non-credit societies are made by individuals only. This assumption is justified as these societies are primary by nature. For those primary societies where separate data on 'deposits' do not exist, the category of 'others' under 'Other borrowings' is treated as deposits. National, State and central societies have not been included for want of data.

19.16. As regards loans and advances to households by the cooperative societies it is assumed that all primary societies advance loans to households only. In the case of other cooperative societies, loans and advances to households are taken into account only in such cases where data are available. The households claim on the cooperative sub-sector is thus derived as deposits net of advances with the above institutions.

#### *Trade debt (net)*

19.17. This has been estimated as the change in trade dues in respect of sundry creditors minus change in loans and advances to sundry debtors. This information is obtained from the RBI sample studies on finances of non-government joint stock companies. The sample figures are blown up on the basis of ratio of the paid-up capital of these companies to the paid-up capital of all the companies to obtain the corresponding global estimates.

#### *Investment in shares and debentures*

19.18. The annual change in the amount of holdings by the households in shares and debentures issued by the private non-financial corporate enterprises, cooperative banks and societies, commercial banks and private financial and investment companies is taken as household saving. Investment of households in the shares of government companies is not estimated due to non-availability of data. However, data on such investments in Unit Trusts are available and are taken into account. The shares and debentures exclude bonus shares as these constitute capitalisation of accumulated reserves.

19.19. Data on paid up capital (exclusive of bonus shares) of all non-government joint stock companies (including financial and investment, insurance and banking companies) are available from the Department of Company Affairs and Controller of Capital Issues (CCI). To this series are added the estimates of debentures issued (available from the CCI) to obtain the aggregate estimates of shares and debentures issued by all non-government companies. Intra-sectoral investments as also investments by all sectors other than households (viz., central and State Governments, local authorities, statutory corporation, LIC and general insurance companies, banks and foreigners) are then deducted to obtain the figures of household investments in shares and debentures.

19.20. The intra-sectoral investment of joint stock companies in shares and securities is estimated as the sum of investment under the heads industrial securities and shares of subsidiary companies, available from the RBI studies on company finances.

19.21. Information on investments of the central and State governments in joint stock companies are collected from the relevant Finance Accounts and Budget Documents. In the case of local authorities, data on investments available from the surveys on Finances of local authorities conducted by the RBI have been used. The data on investments of various statutory corporations and government companies are culled out from their annual statements of accounts. Details of investments of the LIC and general insurance companies in shares and debentures are available from the *Annual Report of the LIC and Insurance Year Book*. Since the nationalisation of general insurance the required details are obtained from the relevant balance sheets. The details relating to similar investments of commercial banks are obtained from the annual survey of the RBI on analysis of investments of scheduled commercial banks<sup>64</sup>. No such surveys have been conducted by the RBI for non-scheduled commercial banks. The ratio of investment in shares and debentures to the total value of investments (excluding fixed deposits) worked out for the scheduled banks are applied to the total investments (other than those in government securities) of scheduled and non-scheduled banks to work out the corresponding estimates of investment in shares and debentures. The data on shares and debentures purchased by non-residents are made available by the RBI. Investments of the households in shares and debentures of all non-government joint stock companies are obtained by deducting the above investments of different institutions from the total of shares and debentures issued by the joint stock companies.

19.22. Details of ownership of capital for each type of cooperative institutions are available in the *Statistical Statements Relating to Cooperative Movement in India (RBI)*. The capital contributed by the individuals and others is taken to be the household investments in cooperative institutions. Debentures are issued only by Central Land Development Banks (CLDB). Ownership details in this case, however, relate to the amount sold and no information on maturity of the debentures issued is available. Debentures sold to public are assumed to have been purchased by households. As no data are available on redemption of debentures, the proportions of the debentures sold to public to total debentures sold are applied to the net changes in the outstanding amount of debentures issued by the CLDB to obtain the corresponding estimates for households. The total investment made by households in shares and debentures of co-operative institutions is obtained as the aggregate of these two estimates.

<sup>64</sup>Reports on Currency and Finance.

19.23. Investment of households in Unit Trust is estimated on the basis of data available in the *Annual Report of the Unit Trust of India* after netting out non-household investments.

#### *Net Claims on Government*

19.24. This comprises small saving and investment in central and State government securities (including those of local authorities) net of borrowings of the households from government. Market loans of the Government of India represent the face value of securities issued to the holders inclusive of *ad-hoc* treasury bills converted into permanent debt, but exclude the treasury bills, small savings (including prize bonds), outstanding balances of expired loans and non-marketable rupee securities. Data on market loans of Central and State Governments are taken from the surveys on ownership of central and State Governments securities<sup>45</sup> undertaken by the RBI and budget documents of the union government. From the total government securities, the investments of various other sectors in government securities are deducted to obtain the holdings of the households. For this, information relating to the investment in government securities by central and State governments, commercial banks, RBI and foreigners available in the RBI surveys is utilised. Estimates of investments in government securities of statutory corporations, government companies, the LIC and general insurance companies are worked out using the results of the analysis of the balance sheets of these corporations and companies. Similarly, for cooperative societies, the data are taken from the *Statistical Statements Relating to Co-operative Movement in India (RBI)* while for the private financial and non-financial corporate business sector, the RBI studies on company finances viz., *Finances of medium and large public and private Ltd. companies*, *Finances of small public and private Ltd. companies* and *Finances of financial and investment companies* published in the RBI bulletins are utilised. Data on investments of local authorities in government securities have been taken from the results of RBI survey on *Finances of local authorities* available in the RBI bulletins.

19.25. Information on investment made in government securities and small savings by institutions dealing with Employees Provident Funds Scheme 1952, Provident fund schemes of Coal Mines, Seamen's, Assam Tea Plantations and Commercial Banks are collected from the respective institutions. In the absence of such details for educational institutions and statutory corporations (other than central and State governments, local authorities and the RBI), the investment pattern of Employees Provident Fund Scheme has been applied to obtain the amount of provident fund invested in government securities. Household investment in central and State government securities is obtained as a

residual after deducting the amounts invested by the above institutions (including the amounts invested out of provident fund) from the total central and State Government securities. Data on market loans of local authorities as at the end of March every year are available from the results of RBI surveys on *Finances of Local Authorities* published in the RBI bulletins. Investment of households in these market loans is obtained as a residual by using the data on market loans of local authorities from the above surveys (duly adjusted for under-coverage) and the investments in these loans made by the LIC, general insurance companies, commercial banks and local authorities.

19.26. Small savings comprise national savings certificates, national plan savings certificates, post office saving bank deposits, post office cash certificates and defence savings certificates, cumulative time deposits, national defence certificates, treasury savings deposits certificates and annuity deposits. Five-year interest free prize bonds and five year premium prize bonds, Additional Dearness Allowance Deposits and Compulsory Deposits Scheme 1974 (Income-tax payer) are also included under small savings. The amount of household investment in small savings has been obtained by deducting from the total small savings the investment made by local authorities and investment out of provident fund contributions.

19.27. Households net claim on government sector is estimated by deducting their borrowings from their total investment in government securities, local authorities' securities and small savings. Information on borrowings of households from central and State governments including repayment of loans are compiled from the budget documents and from the *Combined Finance and Revenue Account of the Central and State Governments*. In the absence of data, no corresponding estimates of loans from the local authorities can be prepared.

#### *Life Insurance Funds*

19.28. The life insurance business is primarily considered as a conduct of saving of the households sector and as such the saving of the LIC arising strictly out of its life insurance business (net of the transfer to government) is regarded as accruing to the policy holders and therefore, included in the estimates of saving of the household sector. The saving arising out of the general insurance business of the LIC is treated as the saving of the statutory corporations. Household saving in the case of LIC is estimated as 'income' (excluding net capital gains and old claims) *minus* 'outgo' less government share of profits. The claims of the non-residents are deducted on the basis of the proportion of life fund business outside India to the total value of life fund. Loans given to the policy holders and to the households against mortgage of property

<sup>45</sup> Operative in the States of A. P., Gujarat, J. & K., Kerala, M. P., Karnataka, Maharashtra, Rajasthan and U. P

in India are subtracted to arrive at the estimates of the household saving net of loans and advances. Data on loans to households have been obtained from the LIC.

19.29. Saving in the form of postal life insurance and State government life insurance<sup>65</sup> is estimated as the excess of receipts over payments. Receipts include subscriptions realised, interest accrued etc., while payments comprise payment of loans to policy holders, payment of insurance amounts after maturity or death and payment for other miscellaneous charges. The data on postal life insurance and state insurance are available from the *Annual Reports of the P & T*, and the budget documents of the State Governments respectively. The total saving of households in the form of life insurance, thus includes saving through the LIC, postal life insurance and State government life insurance.

#### *Provident Funds*

19.30. Employees' saving in the form of provident fund is through provident fund schemes which are either contributory or non-contributory. In the former scheme the employers and the employees both contribute to the provident funds and the total constitutes the saving of the employees. For purpose of estimation, employees of the following categories of institutions/schemes have been considered, (a) central and State governments, (b) statutory corporations, (c) local authorities, (d) financial institutions, (e) educational institutions, (f) employees' provident fund scheme, 1952, (g) coal mines provident fund scheme, (h) Assam tea plantations provident fund scheme, (i) seamen's provident fund scheme, (j) public provident fund scheme and (k) dock labour board provident fund scheme.

19.31. Information on provident fund relating to central and State Governments and public provident fund is culled out from the respective budget documents and the Combined Finance and Revenue Accounts Figures of contributions by the statutory corporations to the provident funds of their employees have been worked out on the basis of data published in their annual accounts. These are doubled to include the employees contributions. For want of required data no adjustments are made for withdrawals, interest accrued and for the employees' contribution made in excess of the minimum prescribed limit. For employees of local authorities, provident fund data are obtained from results of RBI surveys on finances of local authorities.

19.32. Data relating to provident fund contributed by employers and employees of various establishments covered by the Employees' Provident Fund Act, 1952 are made available by the Central Provident Fund Commissioner. As the scheme is a contributory scheme the contribution by both employers and employees to the

fund during the year minus withdrawals from the fund plus interest accrued to the fund during the year gives the net amount of saving in provident fund of the employees. Since 1971-72 net contributions towards the Pension Fund covered within the frame work of the Employees' Family Pension Scheme, 1971 are also included.

19.33. Data on contributions to provident fund by employees of coal mines, the withdrawals from the fund and the interest paid on the fund are obtained from the Provident Fund Commissioner, Coal Mines. Employers in this case also contribute an amount equal to the compulsory contribution of the employees which is taken into account. The employees' net contributions towards Coal-Mines Family Pension Scheme are also taken into account since 1971-72. For employees in Assam Tea Plantations all necessary details are collected from the Assam Tea Plantation Provident Fund Scheme authorities. Information on provident fund of seamen is obtained from the Seamen's Provident Fund Commissioner's Office. Information on provident fund of employees of commercial banks and RBI is obtained from the RBI.

19.34. In the case of general insurance companies, information on provident fund is not directly available from the *Indian Insurance Year Book* or *Annual Report of General Insurance Corporation*. It is estimated on the basis of detailed data on cost of management of Indian and non-Indian insurance received annually from the controller of Insurance, Simla and/or collected from the Annual Reports or the Ministry of Finance. The estimates, thus, obtained are doubled so as to include the employees' contribution also. In the absence of any information, no adjustments are made to account for withdrawals, interest accrued and contribution in excess of the minimum limit.

19.35. *The Annual Report of LIC* provides the necessary data on LIC's contributions to the provident fund of its employees. The amount is doubled so as to include contributions of employees also. No adjustments are made for contributions made by employees over and above the compulsory contributions, the amount of interest accrued to the fund and withdrawals made during the year for want of relevant information. However for recent years i.e. 1970-71 onwards detailed information is being collected from the LIC.

19.36. No data are available on provident fund contribution of employees of various non-government educational institutions. This is estimated on the basis of wages and salaries paid to the employees in all non-government recognised educational institutions. Employees' contribution to the provident fund is estimated assuming that it forms 6.25 p.c. of the wages and salaries.

<sup>65</sup> Operative in the States of A.P., Gujarat, J. & K. Kerala, M.P., Karnataka, Maharashtra, Rajasthan and U.P.

### Saving in the form of physical assets

19.37. Net addition to physical assets of the household comprising net investment in construction, machinery and equipment and stocks is taken to constitute household saving in physical assets. Estimates of investment in fixed assets for the economy as a whole are worked out independently.<sup>66</sup> Household investment in fixed assets and change in stocks is derived as residual deducting the corresponding estimates of public and private corporate sectors from the total.

#### Private corporate sector saving

19.38. Private corporate sector comprises non-government non-financial corporate enterprises, non-government financial and co-operative institutions. Non-financial corporate enterprises cover all non-government non-financial public and private limited companies (inclusive of foreign controlled rupee companies) registered under the Indian Joint Stock Companies Act, 1956. Non-government financial institutions constitute all scheduled and non-scheduled commercial banks (excluding state co-operative banks, State Bank of India and its subsidiaries and the fourteen nationalised banks and general insurance corporations) and other private financial and investment companies engaged in activities such as financing of hire-purchase, transactions in shares and commodities and financing of loans or investing in securities. Co-operative institutions comprise co-operative banks and the credit and non-credit societies.

19.39. The basic data for the non-government non-financial corporate enterprises are available from the results of the analysis of balance sheets and profit and loss accounts of selected samples of these companies including under foreign controlled rupee companies undertaken annually by the RBI. The analysis is undertaken separately for (i) medium and large<sup>67</sup> public limited companies, (ii) small public limited companies, (iii) medium and large private limited companies and (iv) small private limited companies. The net saving of the public and private limited companies has been taken as equivalent to the retained profits plus increase in taxation reserves less increase in taxation advances. The estimates for all companies, in each category are obtained by blowing up the estimates from the sample on the basis of the coverage in terms of total paid-up capital. The net saving of the branches of foreign companies is estimated on the basis of data supplied by the RBI.

19.40. Net saving of private commercial banks is defined to include net amount carried to reserves, amount allocated to other special purposes and balances carried forward to next year's account net of the surplus of the previous year's brought forward as available from the details of 'earnings and expenses of commercial

banks' published in the *Statistical Tables Relating to Banks in India (RBI)*.

19.41. Information on general insurance companies is available in the *Indian Insurance Year Book*. The gross saving for these companies comprises increase in 'general and other reserve funds', increase in 'profit and loss account' and increase in 'investment fluctuations account'. No data on consumption of fixed capital are available. The proportion of consumption of fixed capital to the value of gross fixed assets of private financial and investment companies is applied to the value of land and house-property of general insurance companies to obtain the estimates of consumption of fixed capital. Since the nationalisation of general insurance business the savings of these institutions are included in the public sector. The data on private financial and investment companies are available in the RBI's annual sample studies on finances of these companies.

19.42. As the relevant data on income and expenditure accounts relating to co-operative institutions are not available in the *Statistical Statements Relating to Co-operative Movement in India, (RBI)*, saving is estimated on the basis of the data on assets and liabilities.

19.43. In the case of co-operative banks and credit societies, data on statutory reserves, bad debt reserves and other reserves are available. The gross saving is taken as the increase in statutory and other reserves. Consumption of fixed capital is not shown separately and it is assumed that half of 'other reserves' forms the consumption of fixed capital. This is deducted from the estimates of gross saving to work-out the figures for net saving.

19.44. Non-credit societies comprise all marketing societies, sugarcane supply societies and processing societies, agricultural non-credit societies, industrial societies such as handloom weavers' societies and spinning mills, housing societies, consumers' stores etc., co-operative unions and institutions and general insurance societies. In this case also, gross saving is estimated as the increase in statutory and other reserves. In the absence of separate data on 'other reserves' 20 p.c. (upto 1969-70) and 50 p.c. (1970-71 onwards) of gross fixed assets are taken as consumption of fixed capital. The proportions are based on the ratios obtained for small public limited companies and co-operative banks and credit societies.

#### Public sector

19.45. Public sector covers government administrative departments and enterprises, both departmental and non-departmental.

19.46. The saving of the sub-sector government administration is defined as the excess of current receipts over current expenditure. This

<sup>66</sup> Relevant details of methodology followed are given in Chapter XXth on "Domestic Capital Formation".

<sup>67</sup> Medium and large companies are those with a paid-up capital of Rs. 5 lakhs and above.

is derived from the economic classification of the accounts of all government departments. The profit of the departmental enterprises is included in the current income of the administrative departments. Whereas, the allowance for consumption of fixed capital is available separately for the departmental enterprises, this is not provided for in the accounts of the administrative departments. In the absence of data, the allowance for consumption of fixed capital for administrative departments is assumed to be negligible.

19.47. The net saving of the government companies and statutory corporations (excluding the issue Department of RBI and the LIC) is estimated from the results of the analysis of the Annual Accounts of these companies and corporations. The net saving is obtained as an aggregate of net transfer to balance sheet and net transfer to reserves adjusted for expenditure, net of income relating to the previous year. The figures are exclusive of capital gains and losses. Provision for consumption of fixed capital is taken from the profit and loss accounts. For a few companies for which upto-date annual accounts are not available, the figures of saving available for the latest year have been repeated. The banking department of the RBI is treated as a financial enterprise while the issue department of the RBI is included in government administration. The net saving of the banking department of the RBI is estimated as the sum of annual changes in (i) National Agricultural Credit (long term operations) Fund, (ii) National Agricultural Credit (Stabilisation) Fund, and (iii) National Industrial Credit (long term operations) Fund. As already mentioned, the life insurance business of the LIC is taken

into account in the households sector. Only the saving arising out of its general insurance business is considered here. This is obtained as the sum of net transfer to balance sheet and net transfer to reserves. Consumption of fixed capital of the LIC is however, taken into account here. Since the nationalisation of the general insurance business, the saving of these institutions is also included.

#### **Reliability, Objectivity and Current Status of Data**

19.48. The estimates of saving thus prepared, suffer from a number of limitations mainly from deficiency of data. This particularly refers to estimates from the private corporate household sectors. Estimates for the private corporate sector are based on the analysis of the sample companies undertaken by the RBI and blown up on the basis of the ratio of paid-up capital of the sample companies to all total companies. The estimates can be more satisfactory when data for the complete corporate sector become available annually. Estimates for the household sector have been built up in two parts (i) saving in financial assets and (ii) saving in physical assets. Estimates in respect of most of the financial assets are based on current data though they mainly refer to total saving under each of these categories and households' contributions are obtained as residuals. The residual approach adopted for arriving at the saving for households is undoubtedly not very satisfactory in all cases and has scope for improvement. The only approach through which this can be achieved is by conducting independent household surveys to collect direct data on annual investments made by individuals and non-corporate institutions in different categories of financial assets.

**APPENDIX 19.1 : AVAILABILITY OF PAID-UP CAPITAL DATA**

Information on total paid-up capital (PUC) for various groups of companies is required for obtaining the population estimates of different aggregates for the corporate sector given the values of the relevant items from the sample studies of company finances conducted by the RBI. The ratio of PUC of sampled companies to all companies is used for the purpose of blowing up on the basis of the coverage in terms of PUC. The estimates of factor shares, savings and capital formation for the whole sector from which the sample has been drawn are thus obtained. The blowing up of the items has been done at the broad group levels of non-government non-financial public and private limited companies and financial and investment companies.

2. For data on PUC there are at present two sources viz., the Controller of Capital Issues (CCI) and the Department of Company Affairs (DCA). As the functions of these two organisations of government are different, each collects the information relevant to its own purpose. The CCI is mainly concerned with issuing permission or 'consent' to the prospective companies to raise a certain amount of capital during a specified period and the actual capital raised thereof. The DCA on the other hand, are concerned with much broader aspects and get information on new companies started alongwith their annual reports, liquidation of companies and the profit and loss accounts and balance sheets of all the existing companies.

3. Every quinquennium, DCA compiles PUC of all companies (both government and non-government) from the balance sheets of companies. For the intervening years, the PUC for the government and non-government public limited and private limited companies is separately estimated by DCA using the information received from the Registrars of companies and taking into account the conversion of non-

government companies into government companies and vice-versa. The data relate to the companies at work. The DCA has arrangement with the Registrars of Companies having jurisdiction over companies in the various states and union territories under which the latter send them information on capital raised, amalgamations, liquidation, conversions, new registrations, etc.

4. The CCI publishes data on PUC raised during a calendar year by companies in *Quarterly Statistics on the Working of Capital Issues Control*. The information is generally published in the issue in respect of the quarter ending September of each calendar year and is available separately for public and private limited companies but not separately for financial and non-financial public and private limited companies.

5. Until 1967-68, the data on PUC as supplied by the DCA were used for purposes of blowing up sample data on joint stock companies. However, since 1968-69 it has been observed that the coverage of the DCA data are not complete and the increases in the PUC of non-financial public limited companies as supplied by the DCA are sometimes even lower than the corresponding increases in respect of selected companies included in the RBI sample studies on company finances. All this has necessitated the estimation of an independent series of total PUC, taking the outstanding final figure of PUC as reported by the DCA for the year 1967-68 and bringing it forward by adding information on PUC raised against consent and exemption order each year collected from the Office of the CCI. The PUC relating to companies liquidated as collected from DCA is then subtracted from this total so as to give the total PUC of companies at work. For blowing up, separate PUC series are prepared for non-government non-financial public and private limited companies and financial and investment companies.