

CHAPTER XIII

INCOME ORIGINATING IN PUBLIC AUTHORITIES SECTOR— RAILWAYS, COMMUNICATIONS AND GOVERNMENT ADMINISTRATION

This chapter deals with the public authorities sector including railways and communications. Public authorities (excluding railways and communications) constitute the Central Government, State governments, city corporations, municipalities, district and local boards, village panchayats, port trusts and improvement trusts.

1.1. The estimates for this sector fall into two categories, viz. (i) the contribution to national income by railways, communications and government administration and (ii) the set of accounts of the public authorities, relating to their activities connected with both administration and departmental commercial enterprises. The latter consists of three accounts, viz. (a) Current Account of Public Authorities—Administration, (b) Current Account of Public Authorities—Enterprises and (c) Combined Capital Account of Public Authorities—Administration and Enterprises.

1.2. These three accounts together represent an economic classification of the transactions of the public authorities as a whole vis-a-vis the rest of the economy. Inter-governmental transactions automatically cancel each other on consolidation and are, therefore, not recorded. With the increasing functions and responsibilities of the government day by day over a wide range of activities, knowledge and appraisal of the effects and results of government activity becomes very important for policy formulation and in this context the set of three accounts assumes special significance.

1.3. The method of estimation under each of the above sectors is given in detail in the following paragraphs of this chapter.

2. RAILWAYS

2.1. Railways occupy the most important place in the transport activity of the country. They are nationalised and only a very small fraction of the total route mileage is operated by private companies, pending the expiry of their earlier contracts with the government. All the data regarding Indian railways, necessary for estimating national income, are published by the Railway Board in a comprehensive and detailed manner. These along with the accounts of the railways published by the Government of India provide the basic material for the analysis and presentation of the accounts of the railways and for the estimation of net output of this sector.

2.1.1. The sector 'railways' comprises, besides government and non-government railways, the port trust railways of Bombay, Calcutta and Madras. The port trust railways operate within the limited trust areas only. Further, railway workshops, which form part of the government railway system, and manufacturing establishments like the Chittaranjan Locomotive Works and the Integral Coach Factory which are directly managed by the railway administration, are also included. Strictly speaking these establishments should be separated from this sector and included

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under 'factory establishments'. This has not been attempted in the case of railway workshops for want of separate data. In the case of manufacturing establishments, though some data are separately available the magnitude of the estimates involved is not significant. However, as they are excluded from the 'factory establishments' sector no double counting is involved.

2.1.2. In addition to estimation of contribution to net national income by the railways, the accounts of government railways are analysed and the results of the analysis are included in the table 'Current Account of Public Authorities Enterprises'. (Table 13.3)

2.2. The Report of the Railway Board on Indian Railways, published annually, gives a large volume of statistics on all the important aspects of the working of government railways and important basic data in respect of non-government railways.

2.2.1. In particular it gives data on gross receipts, working expenses, capital expenditure, strength and cost of staff, and volume of passenger and goods traffic carried. The Annual Report on Railways is published with a time lag of a year, figures for 1959-60 being published in 1961. Revised figures for previous years are also published in the same publication. In addition, the budget documents of the Central Government on government railways give data relating to the financial aspects of the running of the railways. The accounts are kept on commercial principles. Each year the documents give 'budget estimates' for the ensuing year, 'revised estimates' of the current (completed) year and 'actuals' for the previous year. Data on revenue are available in the 'Budget of the Railway Revenue and Expenditure' of the Central Government. 'The Demands for Grants for Expenditure of the Central Government on Railways' gives details of expenditure of government railways divided into a number of 'Demands' depending on the nature of expenditure. Working expenses and capital expenditure are separately available, though the distinction does not strictly correspond to the requirements of national income accounting and a further analysis becomes necessary. The 'Explanatory Memorandum on the Railway Budget of the Government of India' gives notes and explanations on receipts and expenditure, and certain other details in regard to important schemes. A publication entitled 'Works, Machinery and Rolling Stock Programmes of Railways' gives details regarding the more important items of capital expenditure.

2.3. Sufficient details about the receipts and expenditure of non-government railways are not available. However, as referred to earlier, the magnitude of operations of these railways is insignificant compared to government railways and the necessary breakdown for non-government railways is, therefore, estimated on the basis of details in respect of government railways.

2.3.1. In the railway budget working expenses are presented according to the nature of expenditure. But the breakdown of these working expenses between wages and salaries and purchase of materials is not directly available. The report of the Railway Board gives total cost of staff employed by government railways. But

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it does not include casual labour and workers employed by contractors. Besides, this figure relates to total staff employed on current operations as well as capital works of railways.

2.3.2. Capital expenditure is also not broken up into wages and salaries and cost of purchase of materials. In addition, although some of the capital works are carried out by contractors, no data are available on the value of work done by them.

2.3.3. Contribution to Depreciation Reserve Fund is fixed by Railway Convention Committee, generally for a period of five years. The actual expenditure on replacements is generally much higher than this contribution, the excess being met from borrowed capital from the Central Government. It is, therefore, evident from past experience that the published estimates of depreciation are underestimates. However, they have been used without any adjustment.

2.3.4. In regard to port trust railways the port trust accounts do not give many details, apart from total receipts and expenditure, as railways constitute only one of their departments. For example, no separate allocation of total interest or depreciation is shown for railways. However, this is not a serious limitation as the port trust railways form only a small proportion of the total.

2.4. *Method of estimation* : Contribution to net national income consists of all factor payments. It includes wages and salaries paid directly or indirectly (through contractors on contract works) by railways, interest payments and operating surplus. These items are explained below :

i) *Wages and salaries* : This item includes pay, allowances and contribution to provident fund of the staff of government railways, including Railway Board, and port trust railways. Loss on grain shops providing grains at concessional rates to the employees of the railways is also included. For non-government railways, a proportion of the total expenditure is treated as wages and salaries based on data relating to government railways. Wage component of capital expenditure is estimated at 33.3 per cent¹ of the total capital expenditure.

ii) *Interest* : Government railways do not pay interest directly but it is included in 'dividend paid to general revenues', as the capital is borrowed from Central Government. The accounts of the Central Government on interest payments show a recovery of interest attributable to railways. This figure is taken as the amount of interest paid by railways. In the case of port trust and non-government railways, no estimate of interest is available. This is presumably included in their operating surplus.

iii) *Operating surplus* : It represents excess of gross receipts over working expenses. Each of these includes certain miscellaneous receipts and miscellaneous expenditure whose magnitude is not very significant. Special mention must be made of the inclusion of certain expenditure of capital nature on labour welfare and minor works on operating improvements which are charged to working expenses by railways.

¹ This percentage was fixed in consultation with the CPWD..

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This expenditure is included in 'maintenance provision' in the analysis and hence our estimate of maintenance provision includes the actual maintenance provision made by the railways and the expenditure referred to above.

2.4.1. The main changes introduced in the conventional method of estimation and estimates for all the years from 1955-56 to 1959-60 on the revised basis, are presented in the subsequent paragraphs of this chapter.

i) As pointed out earlier, working expenses on wages and salaries and purchases of materials are not available separately. The Railway Board Report gives an estimate of total cost of staff employed by railways and the same was being taken as wages and salaries in the working expenses. In fact this figure related to staff employed on current operations as well as on capital works which results in over-estimation of wages and salaries and consequent underestimation of purchase of materials. The cost of staff relating to working expenses has been estimated for the revised series on the basis of staff employed on current operations, which is available under the individual demands in the 'Demands for Grants', and average cost of staff, separately for certain defined categories of staff, which is available in the Railway Board Report.

ii) It has been stated earlier that certain capital expenditure charged to working expenses by railways was being included under maintenance provision in our analysis. For the revised series this expenditure has been excluded from the working expenses with consequent increase in operating surplus to that extent. During discussions with the Railway Board, it was explained that this expenditure is really of a capital nature although it is charged to working expenses. In view of this it has now been transferred to capital account.

iii) Wages and salaries component of capital expenditure was being taken at 33.3 per cent of total capital expenditure. In the revised series it is taken as 33.3 per cent of capital expenditure on construction only. In other words one third of total capital expenditure, net of expenditure on machinery and equipment, increase in stocks and purchase of assets alone is now taken as wage component. In addition wages and salaries paid by Chittaranjan Locomotive Works and Integral Coach Factory are added, as expenditure of these establishments is included under capital expenditure on Railways (mostly under transport equipment).

3. COMMUNICATIONS

3.1. This sector includes the activities of Posts and Telegraphs Department and Overseas Communications Service. Both these organisations, like railways, are departmental undertakings of the Government of India.

3.2. As in the case of railways, the data available for the estimation of national income from communications is quite comprehensive. The annual accounts of the Department of Posts and Telegraphs and Overseas Communications Service are published along with the budget documents of the Central Government.

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3.2.1. Details regarding receipts and expenditure of Posts and Telegraphs Department are also published separately in 'The Demands for Grants for Expenditure of the Central Government on the Indian Posts and Telegraphs Department'. Receipts of Overseas Communications Service are available in the 'Finance Accounts of Central Government' under account-head 'Industries and Supplies'.

3.2.2. The 'Demands' contain details regarding working expenses and capital expenditure of the undertakings. Working expenses give details of pay and allowances of staff, other contingent expenditure, interest payments (through Central Government) and contribution to 'Renewals Reserve Fund'. Capital expenditure is given in respect of different items of works, but a breakdown between wages and salaries and purchase of materials is not available. Similar breakdown is not available for expenditure on 'maintenance of assets' also.

3.2.3. In addition, the Posts and Telegraphs Department brings out an annual report reviewing activities of the Department supplemented by certain related statistics. As in the case of railways, the publication is released with a time lag of one year. It contains, among other things, volume of traffic handled by post and telegraph offices, number of telephone connections and total employment.

3.3. *Method of estimation* : As in the case of railways, contribution to net national income is the sum of factor payments, viz. wages and salaries, interest and operating surplus.

(i) *Wages and salaries* : They include pay and other allowances paid to staff. The information is obtained from the details of 'working expenses'. Wages and salaries component of capital expenditure is estimated, as in the case of railways, at one third of total capital expenditure.

(ii) *Interest* : Like railways, interest payments are made through the Central Government but are shown separately under working expenses. In the accounts of the Central Government, interest payment attributable to these two undertakings is shown as recoveries.

(iii) *Operating surplus* : It represents excess of gross receipts over working expenses. The latter include wages and salaries, purchase of services and materials from other sectors, interest, contribution to Renewals Reserve Fund and certain expenditure on maintenance of assets including minor works charged to working expenses.

3.3.1. The following revisions have been made in the method of estimation for working out revised estimates for the year 1955-56 to 1959-60 :

(i) Expenditure on 'maintenance of assets' appearing under working expenses of the Posts and Telegraphs Department consists of 'pure maintenance charges' and 'minor capital works'. The entire expenditure was being treated as capital expenditure and included, as in railways, under maintenance provision. In the revised method, pure maintenance charges are treated as current expenditure and minor works as capital expenditure and the latter is transferred to capital account, thereby increasing operating surplus correspondingly.

(ii) As in the case of railways, wage component of capital expenditure is estimated as 33.3 per cent of capital expenditure on construction only.

4. PUBLIC AUTHORITIES

4.1. Apart from contribution to national income from government administration, this section deals with a set of three accounts relating to an economic classification of government accounts. Government bodies give detailed information regarding their transaction with the rest of the economy in their annual budgets and accounts. But these are mainly meant to supply the information required by members of Parliament etc. who have to vote the demands therein and pass the accounts. In other words they are meant to ensure 'accountability' of those spending public money to those who authorise the expenditure. The budget documents, therefore, are not in a form suitable or convenient for drawing any conclusions regarding the economic implications of government activity or its impact on the rest of the economy. For this purpose while retaining the traditional budget, an economic reclassification of the same to bring into focus the economic implications and effects of government transactions also becomes necessary and the set of the three accounts presented here is an attempt in this direction.

4.1.1. The scope of 'government'² is quite wide and may be regarded as embracing all authorities or bodies for whose activities a Minister or other public functionary is accountable to the Parliament, the local legislature or similar bodies. These government authorities submit details of their accounts every year to the Parliament, legislatures etc. for the approval of the expenditures incurred and proposed. 'Government' thus includes the Central and State governments, municipal corporations, municipalities, district and local boards, improvement trusts, port trusts and village panchayats.

4.1.2. Various funds such as the Central Road Fund, Famine Relief Fund, Labour Welfare Funds etc. which are administered by the different departments of the government are also included here. Besides, certain commercial enterprises which are departmentally run and whose accounts form part of the budgets of the government are also included in this sector for purposes of economic classification. In so far as the contribution to national income by government enterprises is concerned, Railways and Communications are treated separately but the other enterprises enter the respective sectors in the industrial origin table. Examples of such departmental enterprises are forests, certain industrial concerns, electricity schemes, transport schemes etc. Where, however, such schemes are handed over to individual autonomous boards or companies or corporations whose accounting is quite independent of government accounts, their accounts do not enter the budgets and are, therefore, excluded. However, an analysis of balance sheets of the public undertakings whose

²A Manual for Economic and Functional Classification of Government Transactions, issued by the United Nations, defines 'government sector' to include (i) all bodies legislative and judicial, as well as executive, that are established through political processes including both central government bodies with compulsory powers extending over the whole territorial area of a country and bodies at lower levels with similar, though more limited, powers extending over only a part of the area and (ii) all agencies directly answerable for their actions, in particular actions connected with the receipt and expenditure of money, to the bodies covered by (i).

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accounts are not included in the government budgets is in progress in the NIC. Necessary adjustments in the accounts of public sector as well as elsewhere will be made when the analysis is completed.

4.1.3. Government 'administration', as distinguished from 'enterprises', pertains to those departments of the government which are directly responsible for maintaining law and order and providing certain essential services to the nation, for instance, general administration, police, justice etc. But in actual practice certain activities (particularly education and health) which should properly be included under 'services' are included under administration. This is due to the fact that a clear-cut demarcation of the two types of expenditure is not possible from the information available in the budget. In other words, 'administration' includes all activities of the government which are not of a commercial nature and their further classification has not been attempted. It may be added that all construction activity including residential houses by government administrative departments (whether directly or through contractors) have been included under 'administration'.

4.1.4. With the increased tempo of economic development in India, the scope of government activity has increased tremendously. Apart from administration in the strict sense of the term, government is engaged in multifarious developmental and social activities, such as technical and general education, development of agriculture and industry, community development and other social welfare activities. The contribution to national income from all these activities is reflected in government administration.

4.1.5. 'Enterprises' here mean departmentally run commercial enterprises. These include, apart from railways and communications, forests, irrigation schemes, electricity schemes, transport schemes, industrial concerns and other departmental commercial enterprises such as quarries, mines, sales emporia, dairy and milk schemes, sale of opium etc.

4.1.6. State trading in foodgrains and other strategic materials is not included. There are always certain border line cases where one cannot definitely classify a particular activity as commercial or otherwise and in such cases, which are usually unimportant, the classification depends on the available information. Broadly, departmental commercial enterprises are those which undertake production of goods and services for sale to other sectors of the economy, in the same way as any other private commercial enterprises, but are owned, run and managed completely by government. They have income of their own from the sale of their products. The government administrative departments, on the other hand, have no income of their own but spend a part of the general government income which, except for receipts from property and some miscellaneous receipts like fees etc. consists only of transfers of income from the rest of the economy.

4.2. *Budget documents of Central and State governments* : The budget documents contain data on receipts and expenditure of Central and State governments for three years—budget estimates for ensuing year, revised estimates for current

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(completed) year and accounts for previous year. Receipts and expenditure are divided into a number of standard account-heads laid down by the Comptroller and Auditor General of India. The budget documents of Central Government do not give much detail of receipts but subsequently in the 'Finance Accounts' some more details of receipts are published. State budgets give fairly good details about receipts. Expenditure in all budgets is divided between revenue and capital accounts. This distinction, however, is not useful for purposes of national income and economic classification, and a further analysis becomes necessary. Expenditure on revenue account contains pay and allowances of establishment, contingent expenditure, grants-in-aid and contributions, expenditure on original works and repairs etc. But very often payments to temporary staff are made from contingencies and hence a thorough analysis of contingencies also becomes essential. Receipts and expenditure under 'debt heads' are also separately available. Explanatory memoranda issued along with budgets give additional data on certain important schemes and items of receipts and expenditure.

4.2.1. Budget documents of municipal corporations : These are more or less on the same lines as State government budgets but give fewer details.

4.2.2. Budget Estimates/Annual Accounts of Bombay, Madras Calcutta and Tuticorin Port Trusts : Only in the case of Madras Port Trust, data for three years are available. In the case of other port trusts, accounts are available only with a time lag of one year. The accounts are kept on commercial lines.

4.2.3. Statistical Abstract, India : Data on income and expenditure of municipalities and district local boards are collected by the CSO through the SSBs and published in the Annual Statistical Abstract. The latest returns, received in the CSO for publication, are made use of.

4.2.4. Annual administration reports of improvement trusts : These reports give some data on receipts and expenditure of improvement trusts and are available with a time lag of one year.

4.2.5. Administration reports of village panchayats : Most of the State governments bring out annually administration reports on the working of village panchayats in States. Sometimes circle-wise reports for a particular State are alone available. These are collected through the SSBs. The reports contain some data on the financial transactions of village panchayats.

4.2.6. For Railways and Communications, the sources of data have already been discussed separately under these heads.

4.3. While important tax receipts in the case of all public authorities can be separated in a satisfactory way, the details regarding non-tax revenue are insufficient for further classification. Quite often sizable amounts are shown under miscellaneous receipts and have to be classified as such for want of details. This is especially true in the case of Central Government where amounts involved are large and relevant details scanty.

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4.3.1. Though budget documents of public authorities give details of expenditure on pay and allowances, purchase of materials etc., in some cases, particularly some port trusts and municipal corporations, these details are given for budget years only. In such cases, details of actual expenditure are estimated on the basis of budget estimates. Sometimes only lump sum expenditures, without further details, are given. The breakdown in such cases has to be estimated on the basis of other available relevant data. In the case of municipalities and other local authorities, the expenditure is generally given under specific heads, without necessary breakdowns between wages and salaries, purchase of materials etc. The required breakdown is again worked out on the basis of other relevant data or similar expenditure elsewhere.

4.3.2. Breakdowns of capital expenditure and expenditure on 'repairs and maintenance' into wages and salaries and purchase of materials are also not available. Wages and salaries are estimated using certain proportions arrived at as a result of discussions with the Office of Chief Engineer, Central Public Works Department. Further, some of the capital projects are executed departmentally by public authorities, while some projects are given on contracts. No data on volume of works carried out by contractors are available. Hence contribution, in respect of works carried out by contractors is also included in 'government administration'.

4.3.3. The available data relating to municipalities, district boards, local boards and village panchayats are far from satisfactory because of incomplete coverage, large time lag and insufficient details. The latest available data in respect of some of the States relate to 1951-52. The CSO raised this question at one of the meetings of the Central Council of Local Self Government, and attempts are now being made by that body to reduce the time lag through the departments of local self government in each State. The details of receipts and expenditure are not adequate for preparing desired estimates, and hence use of certain proportions have to be resorted to. Adjustments for time lag and under-coverage have also to be made. Breakdowns of capital expenditure by type or between outlay and maintenance are also not available and as such have to be estimated.

4.3.4. There are certain problems in analysis and presentation of accounts of government enterprises which make them different from other private enterprises. For some of the activities which are classified as enterprises, completely independent accounts (i.e. receipts and expenditure separately) are not generally available and even if available, they are not kept on commercial principles. This problem arises primarily in the 'other departmental commercial enterprises' where the receipts due to this commercial activity are often shown along with other receipts of the department in charge of the enterprise. Sometimes, under transport schemes for instance, data on expenditure are not given in adequate detail and as such estimations are based on available information in explanatory memoranda.

4.4. *Method of estimation* : Contribution to national income from government administration is conventionally taken as the total wages and salaries paid by administrative departments of public authorities to their employees. Pensions and

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gratuities are considered as part of wages and salaries. In India there is no contributory system of payment of pensions and no current provision is made for future pension liabilities; and since the currently accruing liability in respect of pensions to present employees to be paid in future cannot be calculated with any degree of accuracy, the pensions currently paid are treated as wages and salaries. From the revenue expenditure of Central and State governments, port trusts, municipal corporations and improvement trusts, figures of wages and salaries paid are generally available. Where only lump sum expenditure is available, wages and salaries are estimated either on the basis of other relevant details, if available, in the explanatory memoranda on budgets or arbitrarily as one-half of total expenditure. In the case of other public authorities, wages and salaries are arbitrarily taken to constitute eighty per cent of total current expenditure; wage component of capital expenditure of all public authorities is taken at one-half of capital expenditure in the case of construction of buildings and one-third of all other capital expenditure. These proportions were arrived at as a result of discussions with the Central Public Works Department. Expenditure on 'repairs and maintenance', when taken as current expenditure is divided equally between wages and salaries and purchase of materials. For adjustment for time lag and under-coverage, figures in respect of municipalities have been inflated arbitrarily by 10 p.c. and those for district local boards have been adjusted on the basis of grants given by State governments to local bodies.

4.4.1. The following changes have been introduced in the method of estimation from 1958-59.

i) Wage component of capital expenditure is now estimated as 50 p.c. of capital expenditure on construction of buildings and 33.3 p.c. of other construction works only instead of all other capital expenditure.

ii) The method of adjusting figures relating to municipalities and district local boards for time lag and under-coverage has been changed. It was felt that the best available basis for adjustment would be grants paid by State governments to these bodies. But in the case of most of the States, it is not possible to separate grants given to municipalities from those given to district local boards as they are included under a general head 'grants to local bodies' without any further details. The available data in respect of both municipalities and district local boards are, therefore, pooled and then adjusted on the basis of grants paid by State governments. The arbitrary adjustment of 10 per cent for municipalities has thus been discontinued. Further, wages and salaries are now estimated as 65 per cent of the total current expenditure (instead of the arbitrary 90 per cent) on the basis of the expenditures of municipal corporations, for which data are available for five years since 1955-56.

iii) Travelling allowance, which was included under wages and salaries earlier, is now taken as purchase of materials and services to the extent it is separately available.

iv) In the conventional series only railways under port trusts were taken as enterprises, the rest being included under government administration. It was,

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however, felt that all activities of port trusts are commercial in nature and are as such included under enterprises. Contribution to national income by port trusts is, therefore, not included under government administration in the revised series.

5. CURRENT AND CAPITAL ACCOUNTS OF PUBLIC AUTHORITIES

5.1. *Account I: Current Account of Public Authorities (Administration)*, Table 13.2. The items on the expenditure side of this table are :

- i) current expenditure on commodities and services sub-divided into:—
 - a) civil administration
 - b) defence
- ii) subsidies
- iii) transfer payments
- iv) surplus on current account.

Item (i) above comprises compensation to employees and purchase of commodities and services from other sectors of the economy. Compensation to employees comprises wages and salaries, allowances and other compensations paid to employees; purchase of commodities and services comprises all purchases other than compensation paid to employees. Purchases for civilian purposes have been grouped under 'civil administration' and those for defence under 'defence'. Expenditure on administration includes cost of running schools, hospitals, maintenance of police forces, roads etc. and also rents of buildings. No imputation is, however, made in respect of buildings owned by government. Travelling allowances, to the extent separate information is available, are also now included here. Purchases of commodities and services from government by the other sectors are taken as a deduct item under current expenditure.

5.1.1. Civil administration includes all departments of public authorities except those included under 'defence'. 'Defence' includes army, navy and air force personnel, civilians employed by these three wings of the defence forces, and the employees of defence manufacturing establishments including ordnance factories. It may be stated that, of late, the defence manufacturing establishments have started manufacturing some items for civilian consumption also and as these cannot be easily separated, all such expenditure is also considered under 'defence'. However, recoveries for work done for other government (civilian) departments is taken as reduction in defence expenditure since 1958-59. Formerly, when such recoveries were not very significant, they were taken as 'miscellaneous receipts'. All the capital expenditure for defence purposes except outlay on industrial development is treated as current expenditure and is divided between wages and salaries and purchase of commodities and services in the ratio 1 : 9 arrived at in consultation with the Ministry of Defence.

5.1.2. *Subsidies* consist of all current grants by public authorities to producers and manufacturers. These include grants to large scale and small scale industries, co-operatives, cottage industries, agriculturists and professional men like doctors etc.

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5.1.3. *Transfer payments* comprise all grants from public authorities to private individuals, households and private non-profit institutions. These are unilateral or unrequited payments, other than interest on public debt, made by public authorities which are considered to provide additions to the recipients' incomes. These are mainly in the form of grants to educational institutions, scholarships to students, compensation to zamindars and refugees, donations to charitable and religious institutions etc. An attempt was made to distinguish between current and capital grants but due to lack of specific information regarding the purpose or the type of utilisation of the grants, the attempt was abandoned.

5.1.4. *Surplus on current account* : This is the excess of total revenue over total current expenditure and is one of the sources of finance for capital formation. This is also shown on the credit side of the capital account (Table 13.4).

5.1.5. The item appearing on the revenue side of this account are as follows:—

5.1.6. *Direct taxes*, which may be described broadly as taxes on income and assets, consist of corporation tax, other income taxes and land revenue.

5.1.7. *Corporation Tax* includes all taxes on incomes of companies, corporations and capital levies.

5.1.8. *Other income taxes* comprise all taxes on personal income. They also include estate duty, agricultural income tax and urban immovable property tax.

5.1.9. *Land revenue* comprises taxes on ownership of land.

5.1.10. *Indirect taxes* are taxes on expenditure, on goods and services chargeable as a business cost and on possession of various durable goods and use of certain public services by individuals and households. This consists of customs duties, excise (both Union and State excise) duties, stamp duties, sales tax and other taxes and duties such as taxes on motor vehicles, electricity duties, entertainment and betting taxes, local cesses etc.

5.1.11. *Fees and miscellaneous receipts* comprise all fees and miscellaneous receipts of the government which are not in the nature of direct or indirect taxes. Upto 1957-58, this used to be a heterogeneous category consisting of all receipts which did not directly fall under the above two categories. It has, however, been found that many items could be categorised separately and from 1958-59 onwards this group has been broken up into three categories : (i) receipts analogous to indirect taxes (ii) sale of commodities and services and (iii) miscellaneous receipts. There are certain items of receipts such as licence fees, registration fees etc. which are on account of services for which there is no parallel activity outside the government and are in the nature of a tax. Such receipts are now, therefore, treated as indirect taxes and classified under the sub-group 'other taxes and duties'. The item 'sale of commodities and services' includes sale of goods produced in jails, products of experimental farms and training centres under cottage industries departments etc. to individuals and agencies outside the government. The total expenditure on commodities and services are now taken net of such receipts. 'Miscellaneous receipts' comprise all the other receipts which are not included in the other two heads and are now classified as fees

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and miscellaneous receipts such as those received in educational institutions, hospitals etc. and other miscellaneous receipts.

5.1.12. *Transfer of operating surplus from current account of commercial enterprises* : This is taken from Account II. The surplus of departmental commercial enterprises is shown on the credit side of the account as it is a part of the revenue of the government.

5.1.13. *Income from property* consists of interest receipts and other receipts. Interest receipts include interest on various loans and advances given by government. Other receipts comprise of rents of houses, fisheries and other public property, royalties, dividends on investments etc. It must, however, be pointed out that in the case of the Central Government budget, the dividends from investments in most of the enterprises are not available separately but are lumped up with 'miscellaneous receipts'. Tolls on roads are also treated as receipts from property. However, no imputation for government owned buildings has been made.

5.1.14. *National debt interest* is a draft on government revenue and consists of payments of interest on debt owned by government to other sectors including rest of the world.

5.2. *Account II : Current Account of Public Authorities (Enterprises)*, Table 13.3. In this account 'railways' are shown separately as they are a major departmental undertaking accounting for nearly two-thirds of the receipts and expenditure of all enterprises. All other enterprises are grouped together under 'others'.

5.2.1. This account which corresponds to the normal profit and loss account of any commercial enterprises, presents the income from sale of products etc. and the operating expenditures. The expenditure falls under four categories, viz. (i) purchase of commodities and services; (ii) wages and salaries; (iii) interest payments to private sector through government (debt services) and (iv) provision for maintenance and depreciation. The *operating surplus* on the expenditure side is the excess of revenue over the total expenditure on the first four items and represents the profits of the enterprises. This is transferred to Account I as an item of revenue.

5.2.2. *Purchase of commodities and services* includes cost of all raw materials and other materials, stationery and stores and payments of rates etc. Payment of rent, though negligible, is also included here. One half of expenditure on repairs and maintenance is also taken as purchase of commodities and services.

5.2.3. *Wages and salaries* are the same as discussed under railways and communications (vide para 2.4). In the case of other enterprises one-half of expenditure on repairs and maintenance is taken as wages and salaries.

5.2.4. *Interest payment* : Upto 1957-58, all interest payments including those shown as capitalised items in the budget were shown under this item. From 1958-59 onwards, the capitalised portions of the interest payments (which are shown in the capital accounts of the budgets) have been treated as part of outlay on the respective projects and are, therefore, included in the capital account (Account III).

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The rest of the interest payments (which are shown in the revenue accounts of the budgets) are included in this account.

5.2.5. *Provision for maintenance and depreciation* : The only enterprises which regularly provide for depreciation are railways, communications, electricity undertakings and road transport undertakings. For other enterprises which do not make any such provision, the expenditure on outlay and maintenance appearing in the revenue accounts of the budgets is taken as a measure of depreciation and included under this item. (Vide also para 2.3.4 under railways).

5.2.6. On the revenue side of the account is shown the operating income of the enterprises from sale of commodities and services. It consists mainly of gross traffic receipts, work-shop receipts etc. in the case of railways and road transport; postal and message revenue, telegraph and telephone receipts etc. in the case of communications; sale of timber and other products in the case of forests; sale of water in the case of irrigation and sale of power in the case of electricity and sale of commodities and services produced in the case of the other enterprises.

5.3. *Account III : Capital Account of Public Authorities (Administration and Enterprises Combined)*, Table 13.4. This is a combined capital account of government administrative departments and departmental commercial enterprises corresponding to Accounts I and II presented earlier. It gives the capital expenditure of the two 'wings' of the government (i.e. expenditure on capital formation) balanced on the other side by the sources of finance for this expenditure. Since the sources of finance are common for the government as a whole and cannot be separated according to its use for capital expenditure in the administrative departments or in the commercial enterprises, this account has necessarily to be a combined capital account. On the expenditure side, however, the capital expenditure is given for the administrative departments and commercial enterprises separately.

5.3.1. Capital expenditure appearing under this account comprises all expenditure on machinery, equipment, construction of buildings, roads and bridges and other works. Defence capital expenditure (except expenditure on industrial development) is treated as current expenditure and hence is not included here. Expenditure for the development and conservation of natural resources is treated as capital formation only to the extent it results in the creation of durable physical assets. Expenditure on fire protection, eradication of pests and research which does not result in building up of durable physical assets is regarded as consumption expenditure and is, therefore, not included here. The items appearing in the table are explained below :

5.3.2. Under commercial enterprises, the expenditure falls under four categories, viz. (i) outlay (ii) renewals and replacements, (iii) net increase in stocks and (iv) net purchase of assets which are further sub-divided into physical and financial assets.

5.3.3. *Outlay* : Comprises expenditures on all new constructions, purchases of new machinery, major alterations and additions which increase the life of the asset

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concerned. All such expenditures are treated as 'outlay' irrespective of whether they occur under 'working expenses' or under the capital account.

5.3.4. *Renewals and Replacements*: In the case of railways, communications and other enterprises which maintain Depreciation Reserve (or other similar) Funds, expenditure on renewals and replacements is available separately. In the case of the other enterprises, expenditure on 'repairs', if any, (e.g. under forests) appearing in the capital account has been included.

5.3.5. *Net increase in stocks*: Includes changes in stocks of purchased materials, finished products and inventories held by enterprises. Upto 1957-58 the expenditure on stocks was being divided between 'outlay' and 'maintenance' in proportion to the rest of the expenditure under these two categories. From 1958-59 onwards, this division has been dispensed with and the total expenditure on stocks is shown separately.

5.3.6. *Physical assets*: Comprise mainly acquisition or purchase of land and sometimes of other assets.

5.3.7. *Financial assets*: Comprise purchase of shares in private industrial concerns including government companies and autonomous corporations.

5.4. Under administrative departments appears gross capital formation which comprises capital expenditure by the government administrative departments on buildings, roads, bridges, other construction works etc. Fixed capital formation, net increase in stocks and net purchase of assets are given separately. Upto 1957-58 such capital expenditure used to be presented under two heads, viz. 'outlay' and 'maintenance'. Almost the whole of the expenditure which was being shown under 'maintenance' was for 'civil works' undertaken by the Central and State public works departments and shown as 'repairs'. The expenditure on construction under 'civil works' is shown in the budgets under (i) original works sub-divided further into (a) major works and (b) minor works and (ii) repairs. On an enquiry into the exact nature of these expenditures it was revealed that the item 'repairs' which had been taken to represent capital 'maintenance' was actually in the nature of some routine repairs and maintenance including expenses on rates and taxes paid etc. It was further revealed that expenses on major alteration and repairs and replacements etc. were included under original works. Thus what was shown earlier as gross capital formation was actually 'gross gross capital formation'. It was, therefore, decided, with effect from 1958-59, to drop the item 'maintenance' altogether and to retain the other expenditure as gross capital formation. The exact nature of the expenditure under the different heads under 'civil works' is as follows: Original works are divided into two categories 'major works' and 'minor works'. 'Major works' are all works with outlay more than Rs. 20,000 on new construction, alterations and additions to existing works and other works which represent a genuine increase in the permanent value of the property as an asset. 'Minor works' are similar works which cost Rs. 20,000 or less. Repairs include repairs to existing or original works, payment of rents, rates and taxes etc. and also petty additions and alterations and special

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repairs costing less than Rs. 1000/-. The expenditure under 'repairs' which is now treated as current expenditure, is divided equally between wages and salaries and purchase of goods and services in the current account.

5.4.1. Net increase in stock included in capital formation comprises of (a) works stores and (b) stocks of strategic materials like foodgrains, fertilisers, Steel etc. held by government for policy purposes. The latter is taken from 'capital outlay on schemes of government trading' appearing in the budgets of the Central and State governments. In the budgets, all schemes of State trading are usually relegated to the borrowing account by the creation of funds for the purpose, only the overall profit or loss being shown in the budget as receipts of the agriculture (or other) department, or as subsidy granted by the department. Prior to 1958-59, following the accounting practice, this expenditure was transferred to the borrowing account in the analysis also. From 1958-59, however, this expenditure is taken as net increase in stocks.

5.4.2. Net purchase of assets comprises only acquisition of physical assets.

5.5. On the revenue side of this account appear the different sources of finance for the expenditure on capital formation. They consist of (1) surplus on current account (2) maintenance provision of commercial enterprises (3) net borrowing and (4) foreign grants. Items (1) and (2) are taken from Accounts I and II respectively as these are available for utilisation towards capital formation.

5.5.1. *Net borrowing* : Comprises net borrowing at home, net borrowing from abroad and extra-budgetary receipts and adjustments for cash balances. Net borrowing at home reflects the net position of the borrowing and lending operations of the government within the country; net borrowing from abroad similarly reflects the position vis-a-vis rest of the world. Extra-budgetary receipts and adjustments for cash balances mainly consist of net receipts of deposits and advances, suspense and remittances. In addition, the net balances, during the year, of the various funds administered and managed by government such as Central Road Fund, Famine Relief Fund, Labour Welfare Fund etc., net advance to government servants and cultivators and net increase in cash balances of all the public authorities are also included.

5.5.2. *Foreign grants* : Comprise grants from foreign countries under various aid programmes like Colombo Plan, PL 480 etc. Formerly this was being included under 'net borrowing' but is now being shown separately, to distinguish 'borrowings' from 'grants' received.

5.6. The set of three accounts, prepared on the revised lines for 1958-59 and 1959-60 (preliminary), are presented in Tables 13.2 to 13.4.

5.7. Table 13.1 gives the contribution to national income from railways, communications and government administration. As discussed earlier the slight fall in the revised estimates relating to railways and government administration is mainly due to the revision in the estimation of wage component of capital expenditure and exclusion of travelling allowance.

TABLE 13.1. NET NATIONAL OUTPUT

(at current prices)

in Tls. abjad

Sector	revised estimates					conventional estimates					
	1955-56	1956-57	1957-58	1958-59	1959-60*	1955-56	1956-57	1957-58	1958-59	1959-60*	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
1. railways	2.2	2.5	2.8	3.0	3.2	2.5	2.8	3.2	3.3	3.3	
2. communication	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.0	0.0	
3. Government services (administration)	6.5	6.9	6.3	6.9	7.7	6.7	6.1	6.0	7.3	8.1	

tabija = 100 crores = 10

* Preliminary

TABLE 13.3. CURRENT ACCOUNT OF PUBLIC AUTHORITIES: ADMINISTRATION

(at current prices)

In Rs. lakhs†

	1958-59		1959-60*		1958-59		1959-60*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
expenditure								
1. civil administration	8.81	7.01	9.64	0.78				
2. defence	2.74	2.73	2.18	2.02				
3. total	9.55	10.34	0.86	0.80				
4. subsidies	0.48	0.51	3.57	3.70				
5. transfer payments	1.60	1.60						
6. total current expenditure	11.63	12.75						
7. surplus on current account	1.29	0.83						
8. total	12.92	13.58						
revenue								
9. corporation tax								
10. other income taxes								
11. land revenue								
12. total direct taxes								
13. customs								
14. excise								
15. stamps								
16. sales tax								
17. other taxes and duties								
18. total indirect taxes								
19. total tax revenue								
20. fees and miscellaneous receipts								
21. railways								
22. others								
23. total								
24. interest receipts								
25. other receipts								
26. total income from property								
27. less national debt interest								
28. total								
29. total								
30. total								

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TABLE 13.3. CURRENT ACCOUNT OF PUBLIC AUTHORITIES: ENTERPRISES
(at current prices)

In Rs. abja

	1958-59		1959-60*		1958-59		1959-60*	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
expenditure				revenue				
<i>purchase of commodities and services from other enterprises</i>								
1. railways	0.85		1.06	17. railways	3.96	4.26		
2. others	0.70		0.76	18. others	2.38	2.62		
3. total	1.55		1.82	19. total	6.34	6.78		
<i>wages and salaries</i>								
4. railways	1.86		1.91					
5. others	0.89		1.04					
6. total	2.85		2.95					
<i>interest payment to private sector through government (debt service)</i>								
7. railways	0.44		0.49					
8. others	0.32		0.34					
9. total	0.76		0.83					
<i>provision for maintenance and depreciation</i>								
10. railways	0.45		0.45					
11. others	0.17		0.20					
12. total	0.62		0.65					
<i>operating surplus</i>								
13. railways	0.26		0.35					
14. others	0.20		0.18					
15. total	0.46		0.53					
16. total	6.34		6.78	20. total	6.34	6.78		

1 Rupee = 100 crores = 10⁸

*Preliminary

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TABLE 13.4. CAPITAL ACCOUNT OF PUBLIC AUTHORITIES: ADMINISTRATION AND ENTERPRISES COMBINED

(at current prices)

in Rs. lakhs

	expenditure		revenue		in Rs. lakhs	
	1958-59	1959-60*	1958-59	1959-60*	(5)	(6)
	(1)	(2)	(3)	(4)		
<i>commercial enterprises</i>						
1. capital outlay	2.82	3.19			1.29	0.83
2. renewals and replacements	1.10	0.97			0.02	0.05
3. net increase in stocks	0.53	-0.21			0.23	0.48
4. net purchase of assets					0.18	0.39
a) physical	0.01	0.01				
b) financial	2.11	0.86				
5. total	0.27	4.82				
<i>administrative departments</i>						
6. gross capital formation	1.97	2.40				
7. net increase in stocks	0.18	0.18				
8. net purchase of assets	-0.04	-0.05				
9. total	2.05	2.53				
10. total	8.32	7.35	16. total		8.32	7.35

*Preliminary