

## Chapter 2

### RESOURCES: TRENDS AND COMPOSITION

#### Resources of the Union Government: 1999-00

2.1 Resources of the Union government consist of revenue receipts and capital receipts. Table 2.1 presents a summary of total receipts of the Union government, which amounted to Rs. 1087937 crore for the year 1999-00. Union government's own receipts were Rs. 312351 crore, constituting only 28.71 percent of the total receipts. The remaining 71.29 percent receipts came through borrowings.

TABLE 2.1: RESOURCES OF THE UNION GOVERNMENT

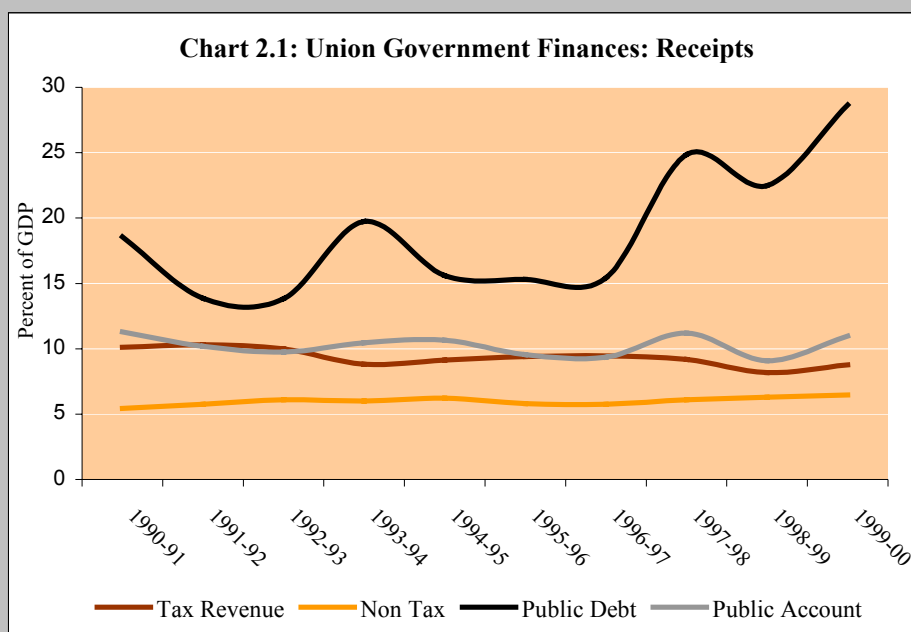
	<i>Rs in crore</i>
I. Revenue Receipts (Gross)	298076
II. Capital Receipts	789834
a. Miscellaneous Receipts	1724
b. Recovery of Loans and Advances	12551
c. Debt Receipts	560823
III. Public Account Receipts	214736
IV. Contingency Fund (Recoupment of Previous Year's Expenditure)	27
Total Receipts	1087937

Note: Revenue receipts include Rs. 16523 crore, share of net proceeds of income tax directly assigned to the states, and not reflected in the Union Government's Finance Accounts.

#### Revenue Receipts: Movement of Major Aggregates

**Revenue receipts have fallen on three-year average basis during the beginning and end of the foregoing decade of reforms, owing largely to the erosion of the tax-GDP ratio.**

2.2 Revenue receipts come from both tax non-tax sources. Capital receipts comprise debt receipts from internal and external sources as well as receipts from the public accounts. Tax revenue comprises proceeds of taxes and duties levied by the Union government, viz., taxes on income and expenditure, customs, Union excise duties, etc. Non-tax revenues come from interest receipts, dividends and profits, receipt from miscellaneous general services, broadcasting, petroleum, power, railways, post and telecommunications, and receipts from grants-in-aid and contributions.



**Chart 2.1:** shows how the different components of gross receipts have moved during the nineties. It shows an increasing dependence of the government on borrowing. The share of tax revenue shows a fall, whereas the share of non-tax revenue in GDP rises. Receipts from Public Account witnessed a rise recently.

**2.3** Gross revenue receipts of the Union government were 15.23 percent of the GDP in 1999-00. The TGR of gross revenue receipts of the Union government was 14.27 percent per annum over the nineties (Table 2.2). Growth in 1999-00 over the previous year was 17.18 percent, i.e. above the TGR. As percentage of the GDP, however, revenue receipts fell by 0.91 percentage points if one compares the three-year average for 1997-00 with the corresponding figure for 1990-93.

**Table 2.2: Revenue Receipts: Gross and Net**

<i>Rs in crore</i>						
Year	Tax Revenues (Gross)	Share of States	Tax Revenues (Net)	Non-Tax Revenues	Revenue Receipts (Net)	Revenue Receipts (Gross)
1990-91	57575	14533	43042	30947	73989	88522
1991-92	67361	17197	50164	37573	87737	104934
1992-93	74639	20524	54115	45641	99756	120280
1993-94	75742	22240	53502	51627	105129	127369
1994-95	92297	24843	67454	62932	130386	155229
1995-96	111224	29285	81939	68621	150560	179845
1996-97	128762	35061	93701	78472	172173	207234
1997-98	139220	35954	103266	92587	195853	231807
1998-99	143797	39145	104652	110572	215224	254369
1999-00	171753	43481	128272	126323	254595	298076
<b>TGR</b>	<b>12.91</b>	<b>12.86</b>	<b>12.94</b>	<b>16.43</b>	<b>14.54</b>	<b>14.27</b>
<i>Percent to GDP</i>						
1990-91	10.12	2.56	7.57	5.44	13.01	15.56
1991-92	10.31	2.63	7.68	5.75	13.43	16.06
1992-93	9.99	2.75	7.24	6.11	13.35	16.09
1993-94	8.82	2.59	6.23	6.01	12.24	14.82
1994-95	9.14	2.46	6.68	6.23	12.91	15.37
1995-96	9.41	2.48	6.93	5.81	12.74	15.22
1996-97	9.45	2.57	6.88	5.76	12.64	15.22
1997-98	9.19	2.37	6.81	6.11	12.92	15.29
1998-99	8.18	2.23	5.95	6.29	12.24	14.47
1999-00	8.78	2.22	6.55	6.45	13.01	15.23
A: Avg (1990-93)	10.14	2.64	7.50	5.77	13.26	15.91
B: Avg (1997-00)	8.71	2.27	6.44	6.28	12.72	15.00
<b>C: B-A</b>	<b>-1.43</b>	<b>-0.37</b>	<b>-1.06</b>	<b>0.52</b>	<b>-0.54</b>	<b>-0.91</b>

**2.4** Gross tax revenues of the Union government, fell from a level of 10.12 percent of GDP in 1990-91 to 8.78 percent in 1999-00. On a three year average basis, the tax to GDP ratio fell by 1.43 percentage points between the beginning and the end of the decade of reforms.

**2.5** Tax revenues of the Union government net of the share of states rose a little from 5.95 percent of the GDP in 1998-99 to 6.55 percent in 1999-00. But in a longer perspective, net tax revenues fell down by 1.06 percentage points, when one compares three-year averages at the beginning and the end of the decade of nineties. This fall in the tax-GDP ratio, concurrent with the fiscal

reforms of this period, has been one of the most critical developments during the nineties. In 1991-92, i.e. at the beginning of economic reforms, Union tax revenues as percentage of the GDP were 10.31 percent. This was the highest level in the nineties. Union tax revenues fell to their lowest level in 1998-99 to 8.18 percent of the GDP. Although, a marginal increase is visible in 1999-00, the overall trend indicates persistence of growing fiscal weakness. The following section further examines the phenomenon of the fall in tax revenues relative to the GDP.

**2.6** There has been a marginal increase in non-tax revenues relative to the GDP from a level of 5.44 percent in 1990-91 to 6.45 percent in 1999-00. This has helped in only partially offsetting the fall in the tax revenues. As a result, total revenue receipts generally show stagnation. In the decade long perspective, there is a marginal fall if one compares the beginning of the nineties with the end of the nineties in terms of three-year averages.

#### **Tax Revenue: Direct and Indirect**

**The erosion of the tax-GDP ratio is largely owing to the fall in indirect taxes relative to the GDP.**

**2.7** Table 2.3 depicts the growth of direct and indirect tax revenues over the last ten years in absolute amounts as well as percentage to the GDP. The figures of direct tax revenues include the share of net proceeds of taxes on income other than corporation tax assigned to the states, which are not accounted for in the Finance Accounts. The table shows clearly that indirect tax revenues as a percentage of the GDP steadily fell throughout the nineties. In 1990-91, indirect taxes amounted to 8.18 percent of GDP. In 1999-00, these have shrunk to 5.81 percent of the GDP, i.e. a fall of 2.37 percentage points.

**There is too much volatility in the growth rates of tax revenues. A steadier growth rate based on better tax administration and compliance would augur better for present circumstances of the Indian economy.**

**2.8** The annual percentage changes in both direct and indirect taxes indicate considerable volatility. Ad-hoc schemes like the Kar Vivad Samadhan and the Voluntary disclosure of income scheme (VDIS) also account for extreme spurts in one year and fall in the subsequent years. A steadier growth of tax revenues based on sustained improvement in tax administration and

compliance would, however, augur better for the present circumstances of the Indian economy.

**Table 2.3: Direct and Indirect Taxes**

*Rs in crore*

Year	Direct taxes	% growth over previous year	Direct taxes as % to GDP	Indirect taxes	% growth over previous year	Indirect taxes as % to GDP	Total taxes	% growth over previous year
1990-91	11029		1.94	46546		8.18	57575	
1991-92	15352	39.20	2.35	52009	11.74	7.96	67361	17.00
1992-93	18142	18.17	2.43	56497	8.63	7.56	74639	10.80
1993-94	20298	11.88	2.36	55444	-1.86	6.45	75742	1.48
1994-95	26971	32.88	2.67	65326	17.82	6.47	92297	21.86
1995-96	33564	24.44	2.84	77660	18.88	6.57	111224	20.51
1996-97	38895	15.88	2.86	89867	15.72	6.60	128762	15.77
1997-98	48280	24.13	3.19	90940	1.19	6.00	139220	8.12
1998-99	46600	-3.48	2.65	97197	6.88	5.53	143797	3.29
1999-00	57959	24.38	2.96	113793	17.07	5.81	171752	19.44

**2.9** Direct taxes as percentage of GDP increased from 1.94 percent in 1990-91 to about 3 percent in 1999-00, thereby providing an increase of about 1 percentage point. The ratio continued to increase up to 1997-98 after which it marginally declined. Since the increase in direct taxes could not fully offset the fall in indirect taxes, aggregate tax revenues fell by 1.34 percentage points from 10.12 percent in 1990-91 to 8.78 percent in 1999-00.

**2.10** As percentage of total tax revenue, direct taxes went up from 30.18 percent in 1995-96 to 33.75 percent in 1999-2000. Concomitantly, the share of indirect taxes declined from 69.82 percent to 66.25 percent during the same period. As a result of the differential growth rates of direct and indirect taxes, the share of indirect taxes in total revenue receipts fell by 14.40 percentage points. The indirect taxes accounted for nearly half of the revenue receipts in the early nineties. In 1999-00, the indirect taxes accounted for only about 38 percent of the revenue receipts. While the shift of focus away from indirect taxes in the overall scheme of revenue collection towards direct taxes may be in tune with the long term fiscal policy, one needs to be concerned about the fall in the overall tax-GDP ratio driven by the undue decline in Union Excise duties, as discussed below and as seen from Table 2.4.

### Major Taxes: Relative Performance

**There is a worrisome downslide in the indirect tax revenues, especially the Union excise duties, as a percent to the GDP. There is enough potential for widening the direct taxes revenue base. The service sector potential for tax revenue remains largely untapped.**

**2.11** The relative importance of different taxes in the overall tax profile has changed significantly during the nineties. The corporation tax as percentage to the GDP has shown the maximum increase with personal income tax being the next in order. Union excise duties and customs both fell relative to the GDP, the fall in the Union excise duties and customs duties being roughly of the same order of magnitude, i.e. about 1.15 percentage points.

**2.12** The revenues from custom duties have fallen even while the imports have increased at 19.86 percent per annum on trend basis during the nineties. The fall in the customs revenues may have explanations in the external liberalisation, i.e. in the attempts to make exports competitive and making way for easier imports, and in WTO considerations.

**2.13** The fall in revenues from the Union excise duties relative to the GDP is more worrying and needs closer examination. The CAG's Report no 11 of 2000 on the Union Government (Indirect Taxes – Central Excise and Service Tax) mentions that while the Central Excise receipts had grown by 2.83 times during the period 1988-89 to 1998-99, the increase in MODVAT availed during this period was 9.32 times. The Report attributed the increase in MODVAT credit partly to the expansion of the scheme to cover most of the excisable goods including capital goods, and partly to possible misuse of MODVAT credit facility. The Report also points to the inadequate coverage in taxation of the services sector, especially in the context of the growing share of this sector in the GDP.

The CAG's Report on  
Union Government Accounts 1999-2000

**Table 2.4: Components of Tax Revenues**

<i>Rs in crore</i>						
Year	Corporation tax	Taxes on income	Customs	Union excise duties	Service tax <sup>1</sup>	Other taxes
1990-91	5335	5335	20644	24514		1747
1991-92	7853	6731	22257	28110		2410
1992-93	8899	7898	23776	30832		3234
1993-94	10060	9123	22193	31697		2669
1994-95	13822	12029	26789	37347	407	1903
1995-96	16487	15592	35757	40187	861	2340
1996-97	18567	18234	42851	45008	1059	3043
1997-98	20016	17101	40193	47962	1586	12362
1998-99	24529	20240	40668	53246	1957	3157
1999-00	30692	25655	48420	61902	2128	2955
<b>TGR</b>	<b>19.79</b>	<b>18.52</b>	<b>10.70</b>	<b>10.28</b>	<b>37.47</b>	<b>8.81</b>
<i>Percent to GDP</i>						
1990-91	0.94	0.94	3.63	4.31	0.00	0.31
1991-92	1.20	1.03	3.41	4.30	0.00	0.37
1992-93	1.19	1.06	3.18	4.13	0.00	0.43
1993-94	1.17	1.06	2.58	3.69	0.00	0.31
1994-95	1.37	1.19	2.65	3.70	0.04	0.19
1995-96	1.39	1.32	3.03	3.40	0.07	0.20
1996-97	1.36	1.34	3.15	3.30	0.08	0.22
1997-98	1.32	1.13	2.65	3.16	0.10	0.82
1998-99	1.40	1.15	2.31	3.03	0.11	0.18
1999-00	1.57	1.31	2.47	3.16	0.11	0.15
A: Avg. (1990-93)	1.11	1.01	3.41	4.25	0.00	0.37
B: Avg. (1997-00)	1.43	1.20	2.48	3.12	0.11	0.38
<b>C: B-A</b>	<b>0.32</b>	<b>0.19</b>	<b>-0.93</b>	<b>-1.13</b>	<b>0.11</b>	<b>0.01</b>

<sup>1</sup>TGR from 1994-95 to 1999-00.

**The low buoyancy of the Union excise duties is an area of concern**

***Box 2.1: Buoyancy of Major Union Taxes in the Nineties***

The buoyancy coefficient indicates the percentage increase in tax revenue following a one percent increase in the GDP. A buoyancy of more than one is considered desirable. If buoyancy is more than one, it would lead to an increase in the tax-GDP ratio. A buoyancy of less than one indicates that the concerned tax may effectively be regressive because as incomes increase, a lower part of that increase gets taxed. The buoyancies of four major Union taxes estimated over the period 1990-91 to 1999-00 using the new 1993-94 base GDP series were as follows.

	<i><b>Buoyancy</b></i>
Corporation tax	<b>1.289</b>
Taxes on income	<b>1.217</b>
Customs	<b>0.729</b>
Union excise duties	<b>0.697</b>

Corporation tax and income tax have shown acceptable buoyancies over the nineties. Customs duties and Union excise duties have buoyancies below one. The most worrisome is the buoyancy of Union excise duties, which is even lower than that of customs duties.

**2.14** The Table 2.5 below shows the growth profile of different components of the GDP in services. This indicates that public administration, defence and railways, which constitute the major part of public sector services, have over the years contributed more or less only 7 percent of the GDP. The growth in the services sector is, therefore, driven by other, non-public sector, components of services. The CAG's Report no. 11 of 2000 on the Union Government (Indirect Taxes – Central Excise and Service Tax) points to inadequate coverage in taxation of the services sector, especially in the context of its growing share in the GDP.



**The CAG's Report on  
Union Government Accounts 1999-2000**

**Table 2.5: GDP in Services at Factor Cost at Current Prices: Share of Different Components**

*Rs in crore*

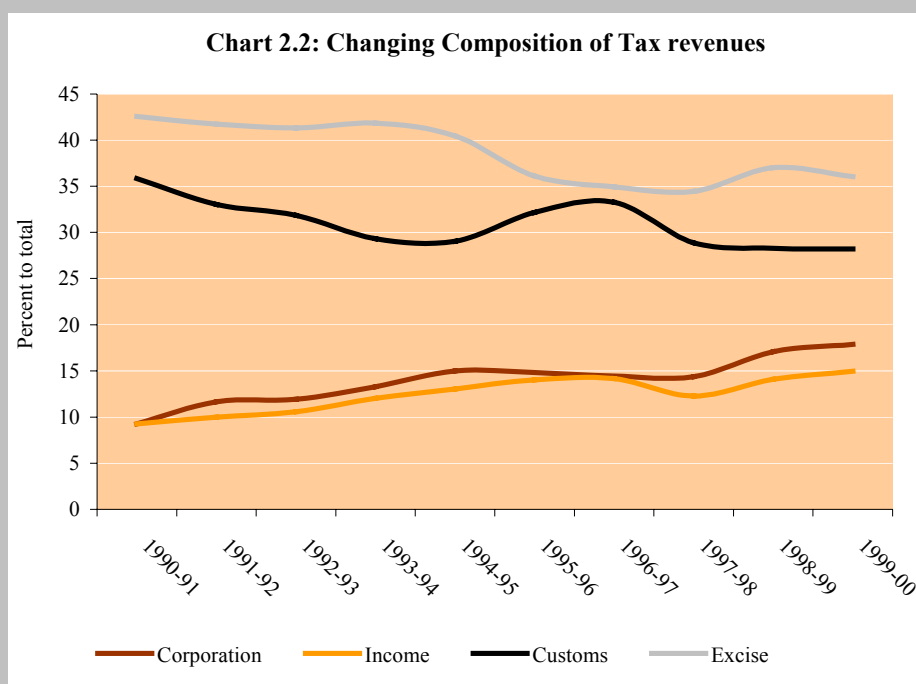
Year	Construc- tion	Trade, hotels & restaurants	Transport, storage & comm.	<u>of which</u> <u>Railways</u>	Financing, insurance, real estate & business.	Community, social & personal services	<u>of which</u> <u>Public</u> <u>Admn and</u> <u>defence</u>	Total services
1	2	3	4	5	6	7	8	9
1993-94	40593	99369	51131	9648	90084	93632	43636	374809
1994-95	46327	118098	60974	11203	103426	106462	48639	435287
1995-96	55219	144078	70542	12580	125352	126329	57251	521520
1996-97	63315	171045	83330	13256	138041	146752	65146	602483
1997-98	78447	190465	97704	14447	157556	176140	79886	700312
1998-99	91922	224727	111311	14051	181575	217219	99294	826754
1999-00	105418	246967	122590	15559	215078	251890	116340	941943
<i>As % of GDP at factor cost at current prices</i>								
1993-94	5.20	12.72	6.54	1.23	11.53	11.98	5.58	47.97
1994-95	5.07	12.92	6.67	1.23	11.31	11.65	5.32	47.61
1995-96	5.17	13.50	6.61	1.18	11.75	11.84	5.36	48.87
1996-97	5.12	13.82	6.73	1.07	11.16	11.86	5.27	48.69
1997-98	5.67	13.76	7.06	1.04	11.38	12.72	5.77	50.58
1998-99	5.69	13.91	6.89	0.87	11.24	13.44	6.14	51.16
1999-00	5.90	13.82	6.86	0.87	12.04	14.10	6.51	52.73

Source: National Accounts Statistics 2000, CSO, July.

Note: Share of services in GDP at factor cost at current prices differs for corresponding share in GDP at factor cost at 1993-94 prices given in Table 1.3.

**2.15** Tax reforms, as part of overall fiscal reforms during the nineties, brought about rationalisation and reduction of rates in major taxes. There was expectation that the rationalisation and reduction would lead to better compliance and to the expansion of tax bases, through improved tax administration and better incentives. While the expectations have materialised to some limited extent for the direct taxes, those have belied themselves in the indirect taxes. Actual revenues fell short of the budgeted amounts in the case of union excise duties as well as customs duties, especially after 1995-96, as discussed further in Chapter 8. The buoyancy of the Union excise duties estimated over the period 1990-91 to 1999-00 is shown to be considerably less than one. (Box 2.1). The buoyancies of the two direct taxes are reasonably above one, showing acceptable responsiveness to growth. The low buoyancy of the Union excise duties is the main area of concern. Three areas need exploration for restoring the tax-GDP ratio to the peak achieved in the eighties and then to take it beyond: (i) potential of the direct tax revenues with regard

to the growth in the number of potential tax payers and assesses; (ii) the misuse of MODVAT credit; and, (iii) the revenue potential of the services sector.



**Chart 2.2** delineates the changing composition of four major components of tax revenues of the Union Government over the nineties. Both the components of direct taxes, i.e., income tax and corporation tax have experienced a gradual rise. This favourable trend has been more than offset by declining collections from customs and central excise.

**Table 2.6: Growth Rates of Tax Revenues**

Year	<i>Percent Per Annum</i>					
	Corporation tax	Taxes on income	Customs	Union excise duties	Service tax	Other taxes
1991-92	47.20	26.17	7.81	14.67		37.95
1992-93	13.32	17.34	6.82	9.68		34.19
1993-94	13.05	15.51	-6.66	2.81		-17.47
1994-95	37.40	31.85	20.71	17.83		-28.70
1995-96	19.28	29.62	33.48	7.60	111.55	22.96
1996-97	12.62	16.94	19.84	12.00	23.00	30.04
1997-98	7.80	-6.21	-6.20	6.56	49.76	306.24
1998-99	22.55	18.36	1.18	11.02	23.39	-74.46
1999-00	25.13	26.75	19.06	16.26	8.74	-6.40

**2.16** The annual growth rates of individual taxes also indicate considerable variations. The trend growth rate of service tax is the highest at 37.47 percent (Table 2.4) over 1995-96 to 1999-00. Corporation tax and income tax have shown a growth rate of a little less than 20 percent, whereas customs and Union excise duties have a trend growth rate of about 10 percent.

**Cost of Collection: Increase in Indirect Tax Costs**

**Rationalisation of tax rates, reduction in the number of rate categories, and reduction in classification disputes, resulting from the tax reforms should lead to a lowering of collection costs.**

**2.17** Table 2.7 gives the cost of collection of different taxes for the period 1990-91 to 1999-00. The maximum cost is that of income tax where it costs nearly 3 paise to collect a rupee. In the case of Union excise and custom duties, the cost of collection has gone up from 0.51 to 0.89 paise, and 0.81 to 0.99 paise, respectively. The fall in revenues of the Union excise and customs duties, accompanied by increase in establishment costs of the revenue collection machinery towards the close of the decade, has led to the increase in the cost of collection of these two taxes. Rationalisation of tax rates, reduction in the number of rate categories, and reduction in classification disputes, resulting from the tax reforms should lead to a lowering of collection costs. The government needs to review the structure of costs of collecting Union excise and custom duties.

**Table 2.7: Cost of Collection: Aggregate and Per Rupee of Tax Collected**

Year	Total Cost (Rs in crore)				Cost (Paise) Per Rupee of Tax			
	Corporation tax	Income tax	Customs duty	Union excise duty	Corporation tax	Income tax	Customs duty	Union excise duty
1990-91	28	208	168	126	0.52	3.87	0.81	0.51
1991-92	31	232	189	159	0.39	3.45	0.85	0.57
1992-93	35	274	149	197	0.39	3.47	0.63	0.64
1993-94	40	305	155	224	0.40	3.34	0.70	0.71
1994-95	47	331	244	254	0.34	2.75	0.91	0.68
1995-96	53	398	280	292	0.32	2.55	0.78	0.73
1996-97	60	452	336	335	0.32	2.48	0.78	0.74
1997-98	88	646	431	456	0.44	3.78	1.07	0.95
1998-99	98	754	466	508	0.40	3.73	1.15	0.95
1999-00	106	788	479	549	0.35	3.07	0.99	0.89

### Non-Tax Revenues: Near Stagnation and Compositional Shift

**2.18** Table 2.2 indicates that there was only a marginal increase related to the GDP over the nineties. Table 2.8 depicts the growth of non-tax revenues during the nineties. In absolute terms, the non-tax revenues increased from Rs. 110572 crore in 1998-99 to Rs. 126323 crore in 1999-2000 which constituted an increase of 14.24 percent over the previous year. Major components of non-tax revenue, which registered an increase over the previous year, were railway lines (Rs 3322 crore) interest receipts (Rs. 8163 crore), dividends and profit (Rs. 142 crore), miscellaneous general services (Rs. 374 crore), telecommunications service (Rs. 513 crore) and grants-in-aid (Rs. 121 crore).

**Table 2.8: Growth of non-tax revenues**

*Rs in crore*

Year	Interest receipts	Dividends & profits	Misc. general services	Power	Tele-communication	Railway lines commercial
1990-91	7580	1932	940	245	3405	12065
1991-92	10933	1058	1105	223	3875	13696
1992-93	12521	2493	1352	163	4758	15649
1993-94	15078	2451	1702	542	6095	17900
1994-95	15806	8304	1929	581	7799	20038
1995-96	18429	5306	2147	604	9761	22374
1996-97	22119	6293	2339	665	12266	24255
1997-98	25343	7944	2848	1058	14587	28518
1998-99	30076	9411	3210	2087	17744	29521
1999-00	38239	9553	3584	1941	18257	32843
<b>TGR</b>	<b>17.41</b>	<b>25.79</b>	<b>15.86</b>	<b>30.79</b>	<b>22.65</b>	<b>11.80</b>

Year	Postal	Petroleum	Police	Grants in-aid contribution	Others	Total
1990-91	841	509	163	586	2681	30947
1991-92	948	1605	191	947	2992	37573
1992-93	1074	1407	574	919	4731	45641
1993-94	1105	802	354	993	4605	51627
1994-95	1170	1217	421	1038	4629	62932
1995-96	1150	1263	368	1138	6081	68621
1996-97	1215	1298	439	1190	6393	78472
1997-98	1566	1444	542	1018	7719	92587
1998-99	1723	8470	640	987	6703	110572
1999-00	2020	8122	744	1108	9912	126323
<b>TGR</b>	<b>9.00</b>	<b>26.04</b>	<b>14.51</b>	<b>4.44</b>	<b>13.65</b>	<b>16.43</b>

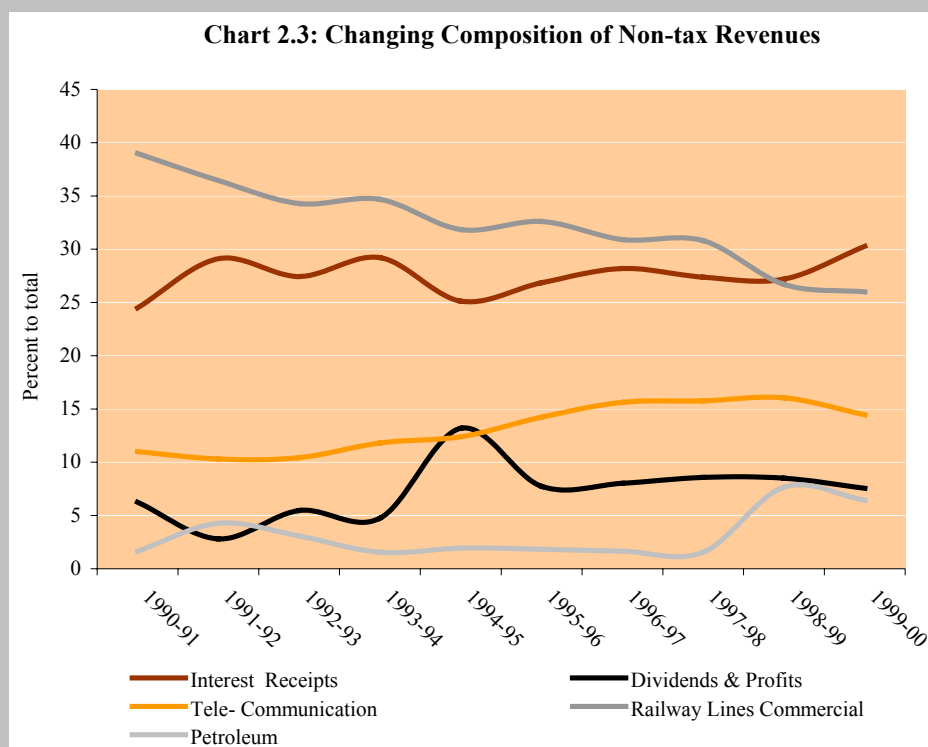
**2.19** Interest receipts and dividends & profits over the nineties indicate growth at 29.46 and 25.79 percent per annum. The TGR in the case of receipts from power is even higher at 30.79 percent, although receipts from power in 1990-00 fell down in absolute terms as compared to the previous year. The petroleum sector also shows a relatively high TGR at 26.04 percent per annum.

**2.20** The composition of non-tax revenues (Table 2.9) shows that the interest receipts and receipts from railway lines (commercial) together account for 56.27 percent of total non-tax revenues. However, their shares have actually moved in reverse directions in the nineties. While the share of interest receipts increased from 24.49 to 30.27 percent that of railway lines (commercial) went down from 38.99 to 26.00 percent. The relative importance of petroleum as a source of non-tax revenues has increased considerably. Returns from the petroleum sector reflect both the inelasticity of demand and increase in prices of the petroleum products in the wake of the increase in the international prices.

**Table 2.9: Non-Tax Revenues: Share of Major Components**

								<i>Percent</i>
<b>Year</b>	<b>Interest Receipts</b>	<b>Dividends &amp; Profits</b>	<b>Misc. General Services</b>	<b>Tele communication</b>	<b>Railway Lines Commercial</b>	<b>Petroleum</b>	<b>Others</b>	<b>Total</b>
1990-91	24.49	6.24	3.04	11.00	38.99	1.64	14.59	100
1991-92	29.10	2.82	2.94	10.31	36.45	4.27	40.30	100
1992-93	27.43	5.46	2.96	10.42	34.29	3.08	16.35	100
1993-94	29.21	4.75	3.30	11.81	34.67	1.55	14.72	100
1994-95	25.12	13.20	3.07	12.39	31.84	1.93	12.46	100
1995-96	26.86	7.73	3.13	14.22	32.61	1.84	13.61	100
1996-97	28.19	8.02	2.98	15.63	30.91	1.65	12.62	100
1997-98	27.37	8.58	3.08	15.75	30.80	1.56	12.86	100
1998-99	27.20	8.51	2.90	16.05	26.70	7.66	10.98	100
1999-00	30.27	7.56	2.84	14.45	26.00	6.43	12.45	100

2.21 Of the total interest receipts, nearly 67 percent came from states/UTs. Of the total dividend and profits of Rs. 9553 crore during 1999-2000,



**Chart 2.3** depicts the changing composition of non-tax revenues over the period 1990-91 to 1999-00. The relative contribution by railways lines commercial has steadily fallen whereas that of telecommunications has increased. The share of dividends and profits increased above 10 percent of total non-tax revenue in 1994-95 but have since declined.

Rs. 4155 crore came from the PSUs, while the share of profits from RBI, LIC, nationalised banks and IDBI was Rs. 4479 crore, Rs. 268 crore, Rs. 395 crore and Rs. 219 crore respectively.

**The transfer of higher surplus from the RBI contributed significantly to the increase in non-tax revenues since 1995-96, which amounted to an endogenous resource transfer.**

2.22 After 1995-96, as shown in Table 2.2, non-tax revenues relative to the GDP increased steadily although by a small margin. The transfer of higher surplus from the RBI contributed significantly to the increase in non-tax revenues since 1995-96, which amounted to an endogenous resource transfer.

Table 2.10 shows that RBI's gross income increased from Rs 7145 crore in 1993-94 to Rs 21961 crore in 1999-00, an increase of over 200 percent. Much of this was due to an increase in the domestic interest income, which mainly came from the central government itself. This in turn largely came back to the government as RBI's surplus.

**Table 2.10: RBI's surplus transferred to the Government**

*Rs in crore*

Year	RBI's gross income	Domestic interest income	Surplus transfer to Union Government			*Total surplus transferred by RBI to Government account (Col. 4+5+6)	Percent of surplus to gross income
			Normal transfer	FCNR losses	Interest differential on account of conversion of special securities into marketable securities		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1993-94	7145	5040	1500		-	1500	20.99
1994-95	9222	5057	1500	2058	-	3558	38.58
1995-96	11932	6099	1500	2438	-	3938	33.00
1996-97	13257	6955	2500	2763	-	5263	39.70
1997-98	14084	8000	2999	1827	1151	5977	42.44
1998-99	19220	12643	3000	-	1479	4479	23.30
1999-00	21961	14928	7871	-	1479	9350	42.58

\*The Government Accounts recognise receipts of the RBI's surplus transfer only in the next financial year of the Government, which is different from the financial year of the RBI. Thus, RBI surplus transferred to the government and accounted for during the year 1999-00 in government accounts was Rs 4479 crore.

### **Inadequate Returns on Investments**

**2.23** Appendix I presents the details of investments by government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies, international bodies, etc. along with dividend received during the years 1990-99. The progressive total investment (excluding the RBI) of the government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies, international bodies etc. increased from Rs. 86196.52 crore on 31 March 1999 to Rs. 94898.18 crore on 31 March 2000.

**2.24** The Union government received a dividend of Rs. 3973.37 crore during 1999-00 against the total investment of Rs. 68714.24 crore in 249 government companies and corporations, which was only 5.78 percent of investment as on 31 March 1999. Out of 249 PSUs, 76 paid dividend to the

Union government, as shown in the Table 2.11. The major contributors of dividend were Oil and Natural Gas Commission (Rs. 660 crore), Indian Oil (Rs. 639 crore), Gas Authority of India (Rs. 247 crore), Hindustan Petroleum (Rs. 127 crore), Bharat Petroleum (Rs. 124 crore), Power Finance Corporation (Rs. 108 crore), Coal India Limited (Rs. 116 crore), Mahanagar Telephone (Rs. 106 crore), Oil India (Rs. 77 crore), National Aluminium Company (Rs. 67 crore), Nuclear Power Corporation (Rs. 50 crore), and Rural Electrification Corporation (Rs. 50 crore).

**Table 2.11: Sector-wise Number of PSUs Paying Dividend**

Ministry	Number of PSUs.	PSUs paying dividend	Ministry	Number of PSUs.	PSUs paying dividend
Industry	50	3	Finance	5	2
Steel and Mines	19	7	Urban Affairs and Employment	4	Nil
Chemicals and Fertilizers	19	5	Atomic Energy	4	2
Home Affairs	16	1	Food & Civil Supply	2	1
Petroleum and Natural Gas	14	12	Health and Family Welfare	3	2
Agriculture	13	3	Electronics	3	1
Energy	12	7	Environment and Forest	3	1
Railways	12	Nil	Water Resources	3	1
Textiles	11	4	Science & Technology	2	Nil
Surface Transport	10	2	Food Processing	2	Nil
Commerce	8	5	Information and Broadcasting	2	2
Defence	8	6	Planning	2	Nil
Welfare	8	Nil	Rural Areas and Employment	2	Nil
Civil Aviation & Tourism	5	2	Human Resource Development	1	1
Communication	5	5	Space	1	1
<b>Total</b>				<b>249</b>	<b>76</b>

### Capital Receipts

**The budget estimates to generate capital receipts through disinvestment were flawed and actual realisation was widely off the mark.**

**2.25** Capital receipts consist of miscellaneous capital receipts (disinvestment) and debt receipts (internal and external). Miscellaneous capital receipts are on account of partial disinvestments of central government



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holding in the equity capital of selected public sector enterprises. During 1999-00, there was the largest variation between budget estimates and actual disinvestments. The budget estimate of Rs.10000 crore amounted to about half a percentage point of the GDP, and may have come as a handy tool for projecting a lower fiscal deficit than what was likely to result.

**Table 2.12: Budget Estimates and Actuals of Disinvestments**

<i>Rs in crore</i>			
<b>Year</b>	<b>BE</b>	<b>Actual receipts</b>	<b>Excess(+)/ shortfall(-)</b>
1990-91	-	-	-
1991-92	2500	3038	538
1992-93	2500	1961	-539
1993-94	3500	-48	-3548
1994-95	4000	5078	1078
1995-96	7000	362	-6638
1996-97	5000	380	-4620
1997-98	4800	910	-3890
1998-99	5000	5369	369
1999-00	10000	1723	-8277

**2.26** In sub-Para 5.3.2 of the CAG's Report No. 1 of 2000, an observation regarding cross holding of equities amounting to Rs 4184 crore was made. The ruse helped the Government to show reduction in its fiscal deficit for that year. During 1999-2000, instead of cross holding of shares, the oil PSUs seem to have helped to reduce the fiscal deficit by transferring unusually higher dividends, which exceeded the dividend declared in 1998-99 by about 150 percent as shown in Table 2.13.

**Table 2.13: Dividend declared by oil PSUs**

<i>Rs in crore</i>			
<b>Ministry of Petroleum and Natural Gas</b>	<b>Last year</b>	<b>This year</b>	<b>Difference</b>
1 Bharat Petroleum Corporation Ltd.	50	124	74
2 Gas Authority of India Ltd.	163	247	84
3 Indian Oil Corporation	177	639	462
4 Hindustan Petroleum Corporation Ltd.	58	127	69
5 Oil India Ltd. Assam	42	77	35
<b>Total</b>	<b>490</b>	<b>1214</b>	<b>724</b>

**2.27** The decision on disinvestments should depend not on temporary fiscal considerations, but on comparative analysis of present discounted value of future profits vis-à-vis disinvestments proceeds, consistent with well-considered economic policy of the government.

### Recovery of Loans and Advances

**There is scope for improvement in the budgeting and administration of the loans and advances.**

**2.28** Table 2.14 gives the details of recovery of loans and advances given by Union government to State and Union Territory governments, foreign governments, government corporations and non-government institutions government servants. The recoveries of loans is an item which the Government should be able to determine with some accuracy. The gaps in the realisation of loans and advances indicate scope for improvement in the administration of the loan and advances, and of their budgeting.

**Table 2.14: Loans & Advances**

Year	Budget estimates	Actual	Excess (+) / Shortfall (-)
1990-91	5685	6769	+1084
1991-92	6778	7001	+223
1992-93	7608	7678	+70
1993-94	8073	7611	-462
1994-95	7831	6507	-1324
1995-96	7862	6999	-863
1996-97	8184	8696	+512
1997-98	9916	9596	-320
1998-99	11560	13189	+1629
1999-00	13337	12551	-785

**2.29** Debt and receipts from the public account are other important sources of the government receipts. These have been discussed respectively in Chapters 6 and 7.