



ORIGINAL RESEARCH PAPER

Economics

COMPOSITION AND TRENDS IN CAPITAL RECEIPTS OF GOVERNMENT OF INDIA: SINCE 1990S

KEY WORDS: Fiscal Policy, Capital Receipts, Market Borrowing JEL Classification: E62, H2, G31

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ABSTRACT

Fiscal policy is one of the most important instruments of government; Budget is a tool of fiscal policy, which has two major components; rising revenue and making appropriate expenditure for the overall development. The present study is tries to figure out the various components and trends of government of India. The study is based on secondary sources of data collected from RBI. The study uses tabular and graphical analysis to explain and understand the changes in the economy. The contribution of market borrowing is nearly more than 50% in most of the years. The contribution of revenue receipts to total receipts is high whenever Indian economy performs better, on the other hand the economy undergoes difficulties the revenue is aroused through capital receipts to meet the government expenditure. In this background the study has made an attempt to examine the contribution of capital receipts to total receipts in India.

Introduction

Fiscal policy is one of the most important instruments of government, through fiscal policy government aims to achieve balanced development in the country. Budget is the tool of fiscal policy through which government presents its development strategies. Budget has to major components such as rising revenue and making appropriate expenditure for the overall development. The revenue component has two important receipts called revenue receipts and capital receipts.

The hard and unexpected circumstance makes government to barrow excess amount from the market which creates huge deficits in the key indicators of fiscal management. The present study is tries to figure out the various components of capital receipts of Government of India and its trends. The major purpose of the study is to identify the various factors which are helped in rising revenue for capital receipts. The study is based on secondary sources which were collected from handbook of statistics on Indian Economy published by Reserve Bank of India. The study uses tabular and graphical analysis to explain and understand the changes in the economy.

Review of Literature

Tiwari Aviral (2011) has examined the factors responsible for increasing fiscal deficit in India. The study finds that inflation is arises due to increase of fiscal deficit, government expenditure and money supply in India.

Das P. (2016) investigated the composition of expenditure of 17 Indian state governments has an impact on the degree of indebtedness. A panel analysis was done from 1980 to 2013. It indicates that apart from the budget structure, the state-specific factors are also responsible for affecting fiscal performance in the country. The government borrowing is more responsive to revenue expenditure rather than capital outlay.

Naveen (2019), has analyse the trends and growth in revenue and capital receipts of Government of India from 2013-14 to 2017-18. The data have been analyzed with the help of statistical tools such as trend analysis, mean score, standard deviation and CAGR. The study brought out increasing trends in revenue receipts and capital receipts. Revenue receipts found to be more increasing (CAGR 7.18 percent) and more fluctuating in comparison with capital receipts (CAGR 5.35 percent) in India.

Mishra Amritkant (2019), has examine short run and long run relationship between fiscal deficit and economic growth in India from 1970-71 to 2011-12. The findings are; there is

negative and significant relationship between fiscal deficit and economic growth in the long run. One percent increase in Fiscal deficit is likely to decrease the gross domestic product by 0.216537 percent. The Vector Error Correction model and the Granger Causality test discard the short run relationship between fiscal deficit and economic growth. The finding of the study is against the Keynesian emphases but supporting the classical view.

Chakraborty Lekha and Harikrishnan S (2022), analyse the economic packages announced by Government of India to stimulate economy which was earlier drastically affected from Covid-19 pandemic. The irregularity in the revenue mobilisation effort the Government of India to go far huge market borrowings to meet excess medical expenditure in the country. The authors view, there was no such evidence of creation of demand due to simulative packages but excess pumped money as results into a private savings.

Sannoh Musa and Momodou Mustapha Fanneh (2022), examines the mode of financing budget deficit matter for inflation in Gambia. The paper analyse the impact of macroeconomic variables on inflation in Gambia. The study considered broad money growth, gross capital formation, official exchange rate and current account balance as most important variables. The study uses VECM model and results shows, the growth rate of broad money, influenced by state printing of money or budget deficit financing are the main reason for inflation in Gambia.

Table - 1.1: Central Government Receipts - Major Components

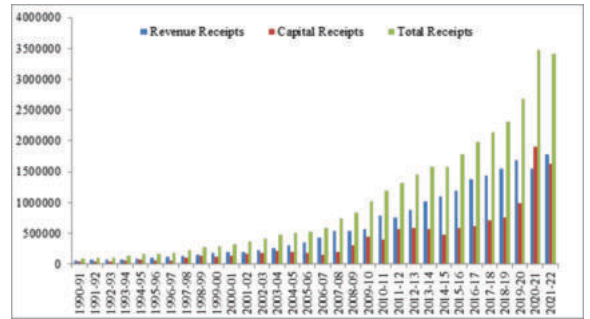
Sl. No.	Years	Revenue Receipts	Growt h Rate	Capital Receipts	Grow th Rate	Total Receipts	Grow th Rate
1	1990-91	54954	-	38997	-	93951	-
2	1991-92	66030	16.77	38528	-1.21	104558	10.14
3	1992-93	74128	10.92	36178	-6.49	110306	5.21
4	1993-94	75453	1.75	55440	34.74	130893	15.72
5	1994-95	91083	17.16	68695	19.29	159778	18.07
6	1995-96	110130	17.29	58338	-17.75	168468	5.15
7	1996-97	126279	12.78	61544	5.20	187823	10.30

8	1997-98	133886	5.68	99077	37.88	232963	19.37
9	1998-99	149485	10.43	130064	23.82	279549	16.66
10	1999-00	181482	17.63	115707	-12.40	297189	5.93
Decadal Growth Rate			12.27	-	9.23	-	11.84
11	2000-01	192605	5.77	134184	13.76	326789	9.057
12	2001-02	201306	4.32	162500	17.42	363806	10.177
13	2002-03	230834	12.79	180531	9.987	411365	11.567
14	2003-04	263813	12.50	211333	14.57	475146	13.427
15	2004-05	305991	13.78	200391	-5.46	506382	6.16
16	2005-06	347077	11.83	179549	-11.60	526626	3.84
17	2006-07	434387	20.09	144482	-24.27	578869	9.02
18	2007-08	541864	19.83	197978	27.02	739842	21.75
19	2008-09	540259	-0.29	299863	33.97	840122	11.93
20	2009-10	572811	5.68	453063	33.81	1025874	18.10
Decadal Growth Rate			-	10.63	10.92	-	11.50
21	2010-11	788471	27.3	402428	-12.58	1190899	13.85
22	2011-12	751437	-4.92	568918	29.26	1320355	9.80
23	2012-13	879232	14.53	582152	2.27	1461383	9.65
24	2013-14	1014724	13.35	563894	-3.23	1578618	7.42
25	2014-15	1101381	7.86	484448	-16.39	1585829	0.45
26	2015-16	1195025	7.83	582579	16.84	1777604	10.78
27	2016-17	1374203	13.03	609886	4.47	1984089	10.40
28	2017-18	1435233	4.25	702650	13.20	2137883	7.19
29	2018-19	1552916	7.57	763518	7.97	2316434	7.70
30	2019-20	1684059	7.78	997301	23.44	2681360	13.60
31	2020-21	1555153	-8.28	1912510	47.85	3467663	22.67
32	2021-22	1788424	13.04	1623428	-17.80	3411853	-1.63
Decadal Growth Rate			8.61	-	7.94	-	9.32
Total Growth Rate			10.39	-	9.32	-	10.81

Source: Handbook of Statistics on Indian Economy, Reserve Bank of India

Table 1.1 shows the trends in revenue receipts, capital receipts and total receipts of Government of India. In 1990-91 the revenue receipts was 54954, capital receipts was 38997 and total receipts was 93951 crores respectively. In 2020-21 revenue receipts was 1555153, capital receipts was 1912510 and total receipts reached to 3467663 crores. There has been continuous increase in both the receipts.

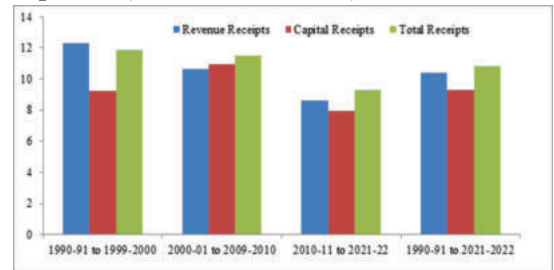
Graph - 1.A: Central Government Receipts - Major Components (Actual)



Source: Table - 1.1

The highest growth rate of revenue receipts was recorded in 2010-11 (27.35%). The highest growth rate of capital receipts in 2020-21 (47.85%). The lowest growth rate of revenue receipts was recorded in 2020-21 (-8.28%). The lowest growth rate of capital receipts was recorded in 2006-07 (-24.27%). The table is graphically represented in the earlier diagram.

Graph - 1.B: Central Government Receipts - Major Components (Decadal Growth Rate)



Source: Table - 1.1

In order to analyse, we have divided 32 years into 3 decades. The first decade growth rate of revenue receipts was 12.27%, in second decade 10.63% and final decade 10.39%. The capital receipts 9.23% of growth rate was achieved in the first decade, 10.92% in second decade and 9.32% in third decade. The growth rate of total receipts in first decade was 11.84%, 11.50% in second decade and 10.81% in final decade. Data reveals, there has been a continuous decline in the revenue receipt components, the capital receipt was higher in the second decade but subsequently declined in the third decade. There is a steady and continuous performance of total receipts in the three decades.

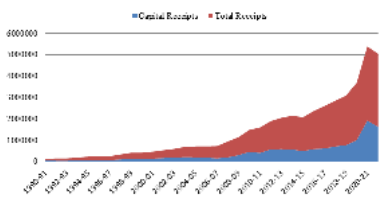
Table - 1.2: Contribution of Capital Receipts to Total Receipts

Sl. No.	Year	Capital Receipts	% of CR to TR	Total Receipts
1	1990-91	38997	41.50	93951
2	1991-92	38528	36.84	104558
3	1992-93	36178	32.79	110306
4	1993-94	55440	42.35	130893
5	1994-95	68695	42.99	159778
6	1995-96	58338	34.62	168468
7	1996-97	61544	32.76	187823
8	1997-98	99077	42.52	232963
9	1998-99	130064	46.52	279549
10	1999-00	115707	38.93	297189
11	2000-01	134184	41.06	326789
12	2001-02	162500	44.66	363806
13	2002-03	180531	43.88	411365
14	2003-04	211333	44.47	475146
15	2004-05	200391	39.57	506382

16	2005-06	179549	34.09	526626
17	2006-07	144482	24.95	578869
18	2007-08	197978	26.75	739842
19	2008-09	299863	35.69	840122
20	2009-10	453063	44.16	1025874
21	2010-11	402428	33.79	1190899
22	2011-12	568918	43.08	1320355
23	2012-13	582152	39.83	1461383
24	2013-14	563894	35.72	1578618
25	2014-15	484448	30.54	1585829
26	2015-16	582579	32.77	1777604
27	2016-17	609886	30.73	1984089
28	2017-18	702650	32.86	2137883
29	2018-19	763518	32.96	2316434
30	2019-20	997301	37.19	2681360
31	2020-21	1912510	55.15	3467663
32	2021-22	1623428	47.58	3411853

Source: Author's Calculation

Graph - 1.C: Contribution of Revenue Receipts and Capital Receipts to Total Receipts



Source: Table 1.2

Table-1.2 provides the percentage of contribution of capital receipts to total receipts. In 1990-91 the share of capital receipts was 41.5%. In 2020-21 due to the impact of covid-19 the contribution of capital receipts to total receipts has recorded highest share which was 55.15%. The contribution of revenue receipts to total receipts is high whenever Indian economy performs better, on the other hand the economy undergoes difficulties the revenue is aroused through capital receipts to meet the government expenditure.

Table - 1.3: Share of Major Heads of Capital Receipts of the Central Government

Year	Market Borrowings (Net)	Provident Funds	Recovery of Loans	Disinvestment Receipts	External Loans (Net)	Total Capital Receipt
1991-92	19.49	5.86	15.63	7.89	14.07	38528
1992-93	10.16	8.16	17.57	5.42	14.70	36178
1993-94	52.18	6.70	11.17	-0.09	9.15	55440
1994-95	29.59	6.02	9.24	7.39	5.21	68695
1995-96	58.28	8.43	11.15	0.62	0.55	58338
1996-97	31.02	8.80	12.25	0.62	4.85	61544
1997-98	32.80	8.50	8.40	0.92	1.10	99077
1998-99	53.04	4.41	8.18	4.52	1.48	130064
1999-00	53.65	5.69	8.76	1.49	1.02	115707
2000-01	54.72	3.67	8.98	1.58	5.59	134184

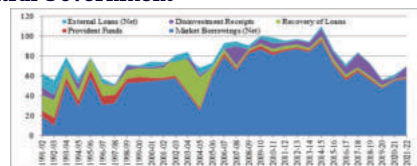
2001-02	55.88	2.57	10.09	2.24	3.45	162500
2002-03	57.68	2.56	18.94	1.75	-6.61	180531
2003-04	42.05	2.31	31.78	8.02	-6.38	211333
2004-05	25.42	2.65	30.96	2.21	7.36	200391
2005-06	59.17	3.09	5.93	0.88	4.16	179549
2006-07	79.46	3.58	4.08	0.37	5.86	144482
2007-08	65.97	1.97	2.58	19.60	4.71	197978
2008-09	82.36	2.68	2.05	0.19	3.67	299863
2009-10	87.05	3.54	1.90	5.43	2.44	453063
2010-11	81.11	3.11	3.09	5.68	5.85	402428
2011-12	85.09	1.90	3.31	3.18	2.19	568918
2012-13	87.17	1.88	2.59	4.45	1.24	582152
2013-14	84.35	1.73	2.22	5.21	1.29	563894
2014-15	94.46	2.46	2.84	7.79	2.67	484448
2015-16	71.22	2.04	3.58	7.23	2.19	582579
2016-17	55.44	2.91	2.89	7.83	2.95	609886
2017-18	64.15	2.25	2.22	14.24	1.13	702650
2018-19	55.37	2.10	2.36	12.41	0.72	763518
2019-20	47.53	1.17	1.84	5.04	0.87	997301
2020-21	55.05	0.94	0.76	1.67	2.85	1912510
2021-22	56.96	1.23	0.80	10.78	0.09	1623428

Source: Author's Calculation

Table-1.3 is related to the share of major heads of capital receipts like market borrowing, provident fund, recovery of loans disinvestment receipts and external loans of India since 1991-92 to 2021-22. In 1991-92 the capital receipts were 38528 crores and it increased to 1623428 crores in 2021-22. In terms of share-wise market borrowing in 1991-92 was 19.49%, provident fund 5.86%, recovery of loans 15.63%, disinvestment receipts 7.89% and external loan accounts for 14.07% respectively.

In 2021-22 the share of market borrowing was 56.96%, provident fund 1.23%, recovery of loans 0.80%, disinvestment receipts 10.78% and external loans accounts for 0.09%. It is observed, the contribution of market borrowing is nearly accounts for more than 50% in most of the years.

Graph - 1.D: Share of Major Heads of Capital Receipts of the Central Government



Source: Table - 1.4

The contributions of recovery of loans were highest in 2003-04 (31.78%). The external loans to total capital receipts has continuously declined which shows India is raising revenue for capital receipts domestically instead of outside the country. Provident fund has contributed around 2 to 3 percent every in year except in 2020-21. Due to Covid-19 pandemic the share of provident fund has declined and suggest huge unemployment situation in the country. The highest growth of disinvestment receipts 2017-18 (14.24%) subsequently Government of India has trying to sell public owned enterprises to mobilize capital for the expenditure purpose.

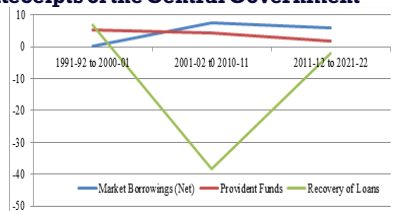
Table-1.4: Decadal Growth rate of Major Heads of Capital Receipts of the Central Government

Year	Market Borrowings (Net)	Provident Funds	Recovery of Loans	Disinvestment Receipts	External Loans (Net)	Total Capital Receipt
1991-92 to 2000-01	0.142639564	5.266071398	7.03181705	317.1526656	-121.6114753	10.89648914
2001-02 to 2010-11	7.55730207	4.258729652	38.32972426	-711.7188254	30.80790663	8.287922316
2011-12 to 2021-22	5.804558557	1.885560851	2.039821028	3.900373798	-330.9840539	9.807698369

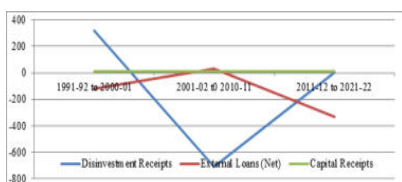
Source: Author's Calculation

Table-1.4 and Graph-1.E and F provide the overview of the decadal growth of major heads of capital receipts. The decadal growth of market borrowing was 0.14% in the first decade, 7.5% in second decade and 5.80% in third decade, there has been a continuous decline in decadal growth of provident fund in the first decade 5.26%, in second decade 4.25% and in final decade 1.88%. There is a huge fluctuation with respect to recovery of loans decadal growth in India. In the first decade 7.03%, in second decade -38.32% and it slightly recovered and achieved 2.03% of positive growth in final decade.

Graph-1.E: Decadal Growth rate of Major Heads of Capital Receipts of the Central Government



Graph-1.F: Decadal Growth rate of Major Heads of Capital Receipts of the Central Government



Source: Table-1.4

The disinvestment receipts shows initial highly positive growth of 317%, in second decade it shows drastically decline (-711%), later, in the final decade it has shown 3.90% of positive growth. Growth rate of external loan was -121.61% in first decade, 30.80% in second decade and -330.98% in final decade respectively. The capital receipts have performed steadily across three decades. In first decade 10.89%, in

second decade 8.28% and final decade 9.80% growth rate has recorded.

Conclusion

The capital receipts is one of the major components of total receipts of Government of India. In 2007-08 great recession and in 2020-21 Covid-19 pandemic situations make government of India to spend more in those years. Hence, the growth rate of total receipts were recorded in 2007-08 (21.75%) and 22.67 in 2020-21. The capital receipts contribute nearly 40% to total receipts. The contribution of market borrowing to capital receipts has more than 50% in most of the years. It suggests how central government is raising revenue through market sources. The annual growth rate of the market borrowing was more than 50 percent in 2020-21. It is also found that, there is a sudden increase in small savings, reduction in contribution of provident fund and increase unemployment in the country.

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