Chapter 2

RESOURCES: TRENDS AND COMPOSITION

Resources of the Union Government: 2000-01

2.1 Resources of the Union Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue and grants-in-aid and contributions. Tax revenue comprises proceeds of taxes and other duties levied by the Union Government viz. taxes on income and expenditure, customs, Union excise duties etc. Non-tax revenue comprises interest receipts, dividends and profits and income from various social and economic services provided by the Union Government. Capital receipts comprise debt receipts from internal and external sources as well as accruals in the public account and non-debt receipts in the form of loans and advances recovered and proceeds from disinvestment. Table 2.1 presents a summary of total receipts of the Union Government, which amounted to Rs 942,985 crore for the year 2000-01. Union Government's own receipts were Rs 326,648 crore, constituting only 35 *per cent* of the total receipts. The remaining 65 *per cent* came through borrowings.

Table 2.1: Resources of the Union Government

(Rs in crore)

I	Revenue Receipts			307,724
II	Capital receipts			635,261
	a.	Miscellaneous Receipts	2,125	
	b.	Recovery of Loans and Advances	16,799	
	c.	Debt receipts	366,461	
III	Public Account Receipts		249,876	
Total Receipts				**942,985**

Note: Revenue receipts include Rs 51688 crores, share of taxes and duties assigned to the States and not reflected in the Union Government's Finance Accounts.

Trends in Resources & Relative Performance

2.2 During the last sixteen years extending over almost three Plan periods, overall resources of the Union Government increased at a trend rate of 11.68 *per cent*, from Rs 225,568 crore in 1985-86 to Rs 942,985 crore in 2000-01. However, the relative performance of its various components has been uneven both across these components and over different time periods as would be evident from Table 2.2.

2.3 There was significant acceleration in the rate of growth in accrual of resources during the Eighth Five Year Plan (1987-92) at 14.87 *per cent* compared to 1.30 *per cent* during 1985-90 (VII Plan). While revenue receipts maintained a growth of 15.70 *per cent* during 1985-90, a negative growth of 10.35 *per cent* in debt receipts, moderated the growth of total receipts. In the first four years of the Ninth Plan (1997-2001), the growth decelerated to 8.42 *per cent*, showing very wide annual fluctuations. The decline was largely due to a negative growth in debt receipts in 2000-01. This happened because of the issue of the Union Government securities for the outstanding balances of small savings in the public account due to the creation of NSSF in 1999-2000. However, sharp deceleration in the growth of current receipts during 1997-2001, may be worrying. Revenue receipts recorded a modest growth of only 3.24 *per cent* in 2000-01.

Table 2.2: Components of Receipts: Trends

(Rs in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross Domestic product
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account		
1985-86	45314	3865	148329	28060	225568	277991
1995-96	179845	8396	180965	113006	482212	1188012
1997-98	231807	10508	376665	169620	788600	1522441
1998-99	254369	19063	395297	159818	828520	1758276
1999-2000	298076	14275	560823	214736	1087937	1956997
2000-01	307724*	18924	366461	249876	942985	2166869
Average Annual Trend Rate of Growth *(per cent)*						
1985-2001	14.07	10.18	9.71	14.43	11.68	15.21
VII Plan (1985-90)	15.70	9.35	-10.35	20.84	1.30	15.28
VIII Plan (1992-97)	15.41	0.01	15.98	14.43	14.87	16.54
IX Plan (1997-01)	10.61	15.90	2.71	15.69	8.42	12.37
Annual Rate of Growth *(per cent)*						
1998-99	9.73	81.41	4.95	-5.78	5.06	15.49
1999-2000	17.18	-25.12	41.87	34.36	31.31	11.30
2000-01	3.24	32.58	-34.66	16.36	-13.32	10.72

** includes share of taxes and duties to States (Rs 51688 crore)*

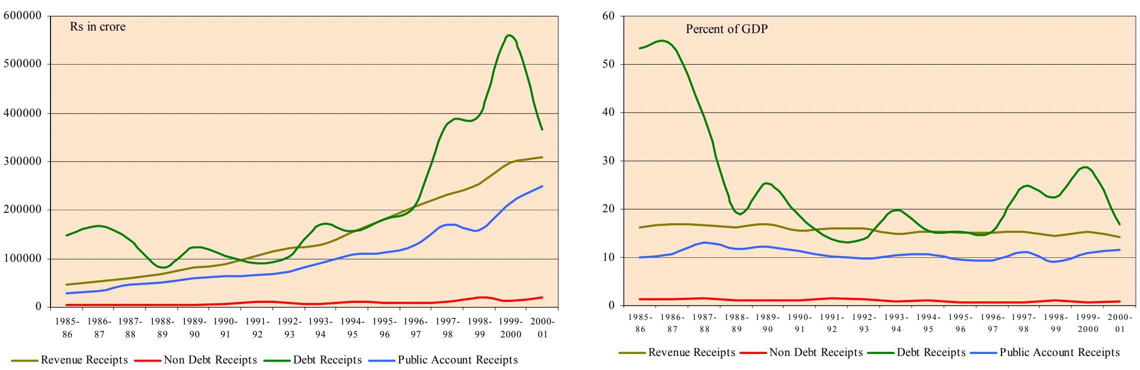
2.4 The relative share of various components of resources (Table 2.3) has also undergone significant changes over the years. The share of revenue receipts increased from an average of 25.62 *per cent* of total receipts during 1985-90 to 36.44 *per cent* during 1992-97. This ratio declined to an average of 30.03 *per cent* during 1997-2001. There was, however, a significant acceleration in the relative share of the revenue receipts in 2000-01 to 32.63 *per cent*. This increase in relative share of the revenue receipts in 2000-01, should, however, be seen in context of a negative growth of 13.32 *per cent* in total receipts.

Table 2.3: Relative Shares of Different Components of Total Receipts

(per cent)

Period	Revenue Receipts	Capital Receipts			Total Receipts
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2001	31.40	2.15	44.99	21.47	100.00
VII Plan (1985-90)	25.62	1.97	54.43	17.98	100.00
VIII Plan (1992-97)	36.44	2.25	37.74	23.57	100.00
IX Plan (1997-2001)	30.03	1.74	46.47	21.76	100.00
Relative Share in the years					
1998-99	30.70	2.30	47.71	19.29	100.00
1999-2000	27.40	1.31	51.55	19.74	100.00
2000-01	32.63	2.01	38.86	26.50	100.00

Components of Receipts



2.5 The relative share of debt, comprising the market borrowings and other liabilities under the Consolidated Fund and public account accruals, declined from an average of around 72 *per cent* during 1985-90 (Seventh Five Year Plan) to 61 *per cent* during 1992-97 (Eighth Five Year Plan), to increase again to an average of 68 *per cent* during 1997-2001. The share of non-debt capital receipts, comprising of miscellaneous capital receipts, proceeds from disinvestments and recovery of loans and advances, continues to average around 2 *per cent*.

Access to Resources Relative to GDP

2.6 Overall access to resources by the Union Government as percentage to GDP (Table 2.4) declined sharply during the Eighth Five Year Plan from an average of 67.74 *per cent* (during the Seventh Five Year Plan (1985-90)) to 42.12 *per cent* during 1992-97. The decline in total receipt/GDP ratio continued for a decade from a peak of 82.93 *per cent* in 1986-87 to 40.47 *per cent* in 1996-97. This was partly due to a negative growth in capital receipts during 1986-88 and partly because of a higher GDP growth, outstripping the growth in total receipts during both these plans. There, however, was moderate increase in the average gross receipt/GDP ratio during 1997-2001. While there was a decline in revenue receipt/GDP ratio and public debt, there was increase in public account accruals. The sharp increase in the debt receipts/GDP ratio during this period was largely due to the shift of the public account liabilities to the Consolidated Fund. Neutralization of the impact of NSSF, which did not create any fresh receipts for the Union Government, resulted in a decline in this ratio to 33.96 *per cent* during 1997-2001.

Table 2.4: Receipts as percentage to GDP

Year	Revenue Receipts	Capital Receipts			Total Receipts
		Non- Debt Receipts	Debt Receipts	Accruals in Public Account	
1985-2001	15.65	1.08	24.77	10.72	52.23
VII Plan (1985-90)	16.62	1.30	38.28	11.54	67.74
VIII Plan (1992-97)	15.30	0.95	15.94	9.93	42.12
IX Plan (1997-2001)	14.78	0.84	23.20	10.68	49.51
Relative Share in the years					
1998-99	14.47	1.08	22.48	9.09	47.12
1999-2000	15.23	0.73	28.66	10.97	55.59
2000-01	14.20	0.87	16.91	11.53	43.52

2.7 In 1997-98, Union Government introduced the concept of Ways and Means Advances (WMA) to overcome temporary mismatches in its receipt and disbursements. This accommodation, by its very nature, was temporary and did not envisage any increase in the capital receipts. In Finance Accounts, however, receipts and disbursements on account of WMA appear on gross basis, inflating both receipts and disbursements. To arrive at the actual access to additional resources by the Union Government, WMA needs to be reckoned on net basis. Table 2.5 indicates the impact of this netting on total receipts, relative share of debt receipts and the ratio of total receipts to GDP.

Table 2.5: Revised Receipts and its share to Capital Receipt and GDP

(Rs in crore)

Year	Total Receipts	WMA Receipts	WMA Disburse-ments	Revised Total Receipts	Share of Borrowed Receipts	Revised Receipt/ GDP Ratio
					(per cent)	
1997-98	788600	17239	15239	773361	68.67	36.42
1998-99	828520	92257	91215	737705	62.91	32.15
1999-2000	1087936	124972	127032	784684	60.19	33.38
2000-01	942985	131300	126887	816098	59.97	33.89

Note: - In computing the Revised Total Receipts in 1999-2000, issue of securities of Rs 176,221 crore in favour of NSSF has also been deducted as this did not result in accrual of any additional receipts.

2.8 With the neutralization of the impacts of WMA and NSSF, the rate of growth in total receipts becomes positive. The share of the capital receipts as *per cent* to total receipts declines to around 65 *per cent* on an average during 1997-2001 from a level of 68 *per cent* earlier. The total receipt/GDP ratio also gets moderated to around 34 *per cent* from a level of around 50 *per cent* without this neutralization.

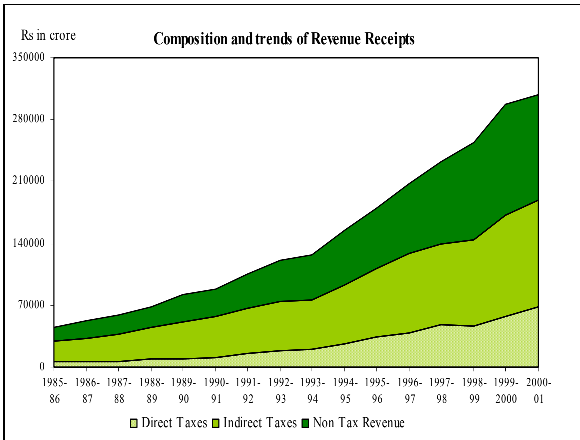
Revenue Receipts: Movement of Major Aggregates

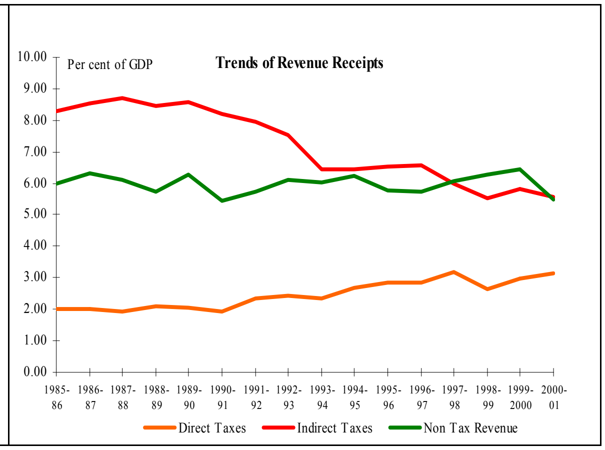
2.9 Overall revenue receipts of the Union Government increased nearly seven fold in last sixteen years (Table 2.6) from Rs 45,314 crore in 1985-86 to Rs 307,724 crore in 2000-01, spreading over nearly three plan periods with an average annual trend rate of 14.07 *per cent* as indicated in the Table 2.5.

Table- 2.6: Composition & trends of Revenue Receipts

(Rs in crore)

Year	Direct Tax	Indirect Tax	Total Tax	Non-tax Revenue	Gross Revenue	State Share	Net Revenue to the Union
1985-86	5603	23048	28651	16663	45314	7471	37843
1995-96	33564	77660	111224	68621	179845	29285	150560
1997-98	48260	90960	139220	92587	231807	35954	195853
1998-99	46600	97197	143797	110572	254369	39145	215224
1999-2000	57959	113794	171753	126323	298076	43481	254595
2000-2001	68305	120298	188603	119121	307724	51688	256036
Average Annual Trend Rate of growth *(per cent)*							
1985-2001	19.29	11.39	13.39	15.15	14.07	13.85	14.11
VII Plan (1985-90)	16.29	15.89	15.97	15.21	15.70	14.73	15.88
VIII Plan (1992-97)	22.49	13.49	15.89	14.66	15.41	14.41	15.61
IX Plan (1997-2001)	13.43	10.48	11.5	9.30	10.61	12.68	10.21
Average Annual Rate of Growth *(per cent)*							
1998-99	-3.44	6.86	3.29	19.42	9.73	8.88	9.89
1999-2000	24.38	17.08	19.44	14.25	17.18	11.08	18.29
2000-01	17.85	5.72	9.81	-5.70	3.24	18.87	0.57





2.10 There was, however, a general deceleration in the average annual rate of growth of the revenue receipts from 15.70 *per cent* during 1985-90 (VII Plan); to 15.41 *per cent* during 1992-97 (VIII Plan) and further to 10.61 *per cent* during 1997-2001 (IX Plan). The deceleration in growth was more pronounced in IX Plan. This deceleration is visible across all the three segments of current revenue, viz. the direct and indirect taxes and the non-tax revenue.

2.11 In case of direct taxes, trend annual growth rate declined from 22.49 *per cent* during 1992-97 to 13.43 *per cent* during 1997-2001. Higher growth of over 24 *per cent* in direct taxes during 1997-98 was on account of the VDIS, introduced as a one-time measure and later in 1999-2000 due to a low base. In case of indirect taxes, the decline was from 13.49 *per cent* to 10.48 *per cent* during this period.

2.12 Overall gross revenue of the Union Government recorded its lowest growth of 3.24 *per cent* in 2000-01. Non-tax revenue for the first time in last fifteen years, recorded a negative growth of 5.70 *per cent* during this year. The year 2000-01 being the first year of the implementation of the recommendation of the Eleventh Finance Commission, saw the share of States' in the gross tax revenue of the Union increase by 18.87 *per cent* compared to the previous year. As a result, the growth in the net current revenue further slipped to a bare 0.57 *per cent*.

2.13 Gross revenue of the Union Government as percentage to GDP also witnessed continuous deceleration as may be seen from Table 2.7.

Table 2.7: Revenue Receipts/GDP Ratio (*per cent*)

Year	Total Revenue receipts	Total Tax	Direct Tax	Indirect Tax	Non-tax Revenue	State Share	Net Revenue to Union
1985-2001	15.65	9.66	2.46	7.20	5.99	2.54	13.11
VII Plan (1985-90)	16.62	10.53	2.01	8.52	6.09	2.67	13.95
VIII Plan (1992-97)	15.30	9.34	2.62	6.71	5.97	2.56	12.74
IX Plan (1997-01)	14.78	8.70	2.98	5.72	6.08	2.30	12.48
Relative Share in the Years							
1998-99	14.47	8.18	2.65	5.53	6.29	2.23	12.24
1999-2000	15.23	8.78	2.96	5.81	6.45	2.22	13.01
2000-01	14.20	8.70	3.15	5.55	5.50	2.39	11.82

2.14 Gross revenue of the Union Government reached a level of 16.62 *per cent* of GDP during 1985-90 (VIIth Plan). However, since then, it declined to 15.30 *per cent* during 1992-97 and further to 14.78 *per cent* during 1997-2001. The gross revenue/GDP ratio declined further to 14.20 *per cent* during the current year. This decline is even sharper given the level of 15.23 *per cent* reached a year earlier. The net revenue, after providing for the share of the States, as percentage to GDP also had its sharpest fall in 2000-01, declining from 13.01 *per cent* reached a year earlier to 11.82 *per cent*.

2.15 Gross tax revenue also declined from an average of 10.53 *per cent* during 1985-90 to an average of 8.70 *per cent* during 1997-2001. While there was a moderate acceleration in direct tax/GDP ratio to 2.98 *per cent* during the Ninth Plan, indirect tax/GDP ratio declined from an average of 8.52 *per cent* during 1985-90 to an average of 5.72 *per cent* during 1997-2001. Though a decline in the indirect tax/GDP ratio was to some extent expected in view of ongoing reforms in that sphere, it ought to have been compensated by an increase in direct tax/GDP ratio for revenue neutrality, which, however, did not take place.

2.16 The proceeds of tax revenue assigned to States' as percentage to GDP also declined from an average of 2.67 *per cent* during 1985-90 to an average of 2.30 *per cent* during 1997-2001. The ratio, however, marginally increased to 2.39 *per cent* in 2000-01.

2.17 The overall tax/GDP ratio of the Union Government at 8.70 is around 10-*per cent*age point lower than the world average of 18.70 *per cent* in 1998. ***(As reported in World Development Indicators and taken from IMF's Government Finance Statistics Yearbook 2000)***. Apart from the untapped potential in the current bases for direct and indirect taxes, the low tax/GDP ratio is also attributed to inadequate coverage of the services sectors, accounting for over 50 *per cent* of GDP, agriculture sector accounted for another 26 *per cent* of GDP and the revenue forgone under various tax saving devices.

Major Taxes: Relative Performance

2.18 The relative performance of different taxes has changed significantly over the years (Table 2.8). Corporate tax recorded the highest trend growth of 19.24 *per cent* during 1985-2001; followed by income tax, other taxes, excise duties and customs duties in that order.

Table 2.8: Components of Tax Revenue

(Rs in crore)

	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others	Total
1985-86	2865	2511	9526	12956	0	793	28651
1995-96	16487	15592	35757	40187	861	2340	111224
1997-98	20016	17101	40193	47962	1586	12362	139220
1998-99	24529	20240	40668	53246	1957	3157	143797
1999-2000	30692	25655	48420	61902	2128	2956	171753
2000-01	35696	31764	47542	68526	2613	2462	188603
Average Annual trend Rate of Growth *(per cent)*							
1985-2001	19.24	18.53	11.25	11.41	-	11.50	13.39
VII Plan (1985-90)	14.28	19.34	17.31	14.56	-	16.74	15.97
VIII Plan (1992-97)	21.71	24.72	18.00	10.45	-	-2.50	15.89
IX Plan (1997-01)	21.65	23.30	7.02	12.99	23.37	-38.78	11.50
Average Annual Rate of Growth *(per cent)*							
1998-99	22.55	18.36	1.18	11.02	23.39	-74.46	3.29
1999-2000	25.13	26.75	19.06	16.26	8.74	-6.37	19.44
2000-01	16.30	23.81	-1.81	10.70	22.79	-16.71	9.81

2.19 Overall tax revenue of the Union Government achieved the highest annual growth of 15.97 *per cent* during the Seventh Five Year Plan (1985-90). A high growth of 19.34 *per cent* in income tax and a growth of 17.31 *per cent* in customs duties contributed to this growth. During VIII Plan, while the overall high growth was maintained, significant contribution came from corporation and income tax. In IX Plan, however, the high growth of earlier plans was not maintained. Deceleration in the rate of growth became quite sharp in 2000-01, and touched all the major taxes with the exception of service tax.

Tax Buoyancy

2.20 The increase in tax revenue, however, needs to be seen in terms of the tax potential and increase in the tax base. The CAG's Report No. 12 of 2002 on the Union Government (Direct Taxes) mentions that overall coverage of non-corporate assesses in the higher income groups continues to be around 50% of the potential. The gross income reported by the non-corporate assesses in 1996-97 was only 8.86% of the aggregate personal income as per the National Account Statistics. However, an independent survey by NCAER ***(National Council of Applied Economic Research - Household Income Survey 1998-99)*** observed that top 5.70% of the households had access to nearly 26% of income. Income tax collections have continued to predominantly come from assesses with income of up to Rs 5 lakh. The increase in tax coverage has made little qualitative change in tax collection in terms of income categories, nor has it been able to widen the coverage in terms of overall national income. Similarly, in corporate tax, the coverage of companies registered continues to be around 50 *per cent*.

2.21 As a part of the fiscal reforms, and the overall liberalisation process, the customs duty rates have been rationalised and reduced substantially. However, a considerable amount of revenue is forgone under various export promotion schemes, which reached 45.6 *per cent* of the total duties collected in 2000-01. Some of these schemes, particularly the Duty Exemption Pass Book Scheme (DEPB) are proposed to be phased out from April 2002 being WTO non-compatible.

Table 2.9: Customs duty forgone

(Rs in crore)

Year	Customs duty collected	Total duty forgone under export promotion schemes	Duty forgone as *per cent* of customs receipts	Exports
1997-98	40193	13157	32.70	132703
1998-99	40668	15492	38.10	144436
1999-2000	48420	18166	37.50	162753
2000-01	47542	21658	45.60	205287

2.22 Though there has been an increase in exports, the ratio of the rate of growth of the duty forgone and the rate of growth of exports during this period has been only 0.853 indicating that for each one *per cent* increase in revenue forgone, rate of growth of exports has been only 0.85 *per cent*.

2.23 Further, over the years, the gap between the import figures as released by Director General of Commercial Intelligence and Statistics (DGCI&S) and the Reserve Bank of India has been increasing from around 6 *per cent* in 1992-93 to around 17 *per cent* in 1999-2000, and there has not yet been a satisfactory explanation. There is need for a comprehensive matching of the records of these two agencies.

2.24 The tax/GDP ratio is generally indicative of the extent of realisation of the tax potential. Table 2.10 below gives the trends of this ratio over the plans and on an annual basis for the most recent three years.

Table 2.10: Tax/GDP Ratio of Major Taxes

(per cent)

	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Other Taxes
1985-2001	1.22	1.11	3.10	3.89	0.04	0.29
VII Plan (1985-90)	1.01	0.95	3.69	4.61	0.00	0.28
VIII Plan (1992-97)	1.29	1.19	2.91	3.63	0.04	0.27
IX Plan (1997-2001)	1.48	1.26	2.41	3.13	0.11	0.31
Annual Tax/GDP Ratios						
1998-99	1.40	1.15	2.31	3.03	0.11	0.18
1999-2000	1.57	1.31	2.47	3.16	0.11	0.15
2000-01	1.65	1.47	2.19	3.16	0.12	0.11

2.25 The tax/GDP ratio for both customs and excise duties has been declining. Average customs duties/GDP ratio, which was 3.688 *per cent* during 1985-90, declined to 2.194 *per cent* by 2000-01. Similarly, the ratio for excise duties is now 3.162 as compared to 4.605 during 1985-90 (VII Plan).

2.26 It is also appropriate to consider the buoyancy of different taxes with respect to GDP and their respective tax bases. The buoyancy coefficients indicate the percentage increase in the tax revenue following a one *per cent* increase in the GDP or the tax base. While a buoyancy of greater than one is desirable, a buoyancy of less than one indicates that the concerned tax may be regressive because as income increases, a lower part of that increase gets taxed. Table 2.11 indicates the buoyancies of major taxes during 1985-2001, a longer tenure of 16 years and three sub periods each coinciding with a plan.

Table 2.11: Buoyancy of Major Taxes

	Overall Buoyancy (1985-2001)	Buoyancy (1985-90)	Buoyancy (1992-97)	Buoyancy (1997-2001)	Buoyancy with Alternate Base
Gross Tax Revenue	0.888	1.039	0.967	0.912	
Direct Taxes	1.245	1.085	1.329	1.035	
Corporation Tax	1.242	0.946	1.288	1.674	1.175
Income Tax	1.201	1.251	1.447	1.774	1.136
Indirect Taxes	0.762	1.028	0.830	0.845	
Customs Duties	0.755	1.111	1.087	0.574	0.588
Excise Duties	0.762	0.955	0.651	1.038	0.762

2.27 GDP and its components are the bases for various taxes. Since the incidence of a tax falls on these specific components, these components are even more appropriate for the buoyancy estimates. In view of this, buoyancy of these taxes has been calculated with reference to GDP and also with reference to these more appropriate tax bases. For corporation and income tax, non-agricultural income has been taken as a more appropriate tax base. Similarly, for customs and excise duties, imports and GDP from the manufacturing sector has been taken as the alternate bases.

2.28 Both corporation and income tax had improved buoyancies over the plan periods. Buoyancy of both corporate and income tax, however, declines with the alternate base, the non-agricultural income, which is a better proxy. Buoyancy for both customs and excise duties has remained below one. There has been a sharp fall in buoyancy of customs duties during 1997-2001, though there was hardly any change in the rates during this period. These duties had a buoyancy of greater than one during the Seventh and Eighth Five Year Plan. Decline in the buoyancy during 1992-97 (VIII Plan) was only moderate. It is also evident that higher buoyancy in the direct taxes has not been able to off set the deceleration in buoyancy of indirect taxes, leading to an overall tax buoyancy of less than one.

Non-Tax Revenue

2.29 Non-tax revenues of the Union Government consist mainly of returns on past investment including loans and advances and recovery of user charges from the services provided. Non-tax revenues constitute a little over one third of the current revenues of the Union Government. This ratio has witnessed a gradual acceleration over the last three Plans (Table 2.12). Within the non-tax revenue, relative share of interest receipts and profits/dividends has increased, while the share of revenues from railways has declined.

Table 2.12: Non Tax Revenue- Relative Shares ***(per cent)***

Period/Year	Non-Tax revenue	Interest Receipts	Profits & Dividend	Railways	Telecommunication	Others
		As Percent to total Non-Tax Revenue				
1985-2001	38.34	27.59	6.22	34.06	11.35	20.77
VII Plan (1985-90)	36.63	27.08	3.07	38.50	8.20	23.15
VIII Plan (1992-97)	39.01	27.36	7.83	32.86	12.90	19.05
IX Plan (1997-2001)	41.13	28.92	9.01	28.20	13.70	20.18
Relative Annual Shares ***(in per cent)***						
1998-99	43.47	27.20	8.51	26.70	16.05	21.54
1999-2000	42.38	30.27	7.56	26.00	14.45	21.71
2000-01	38.71	30.83	11.40	29.28	8.54	19.95

2.30 Relative shares of the various components of non-tax revenue have undergone significant changes over the plans. The share of interest receipts and dividends put together has increased from an average of 30 *per cent* of total non-tax revenue during 1985-90 to an average of 38 *per cent* during 1997-2001. Though the share of telecommunications has increased over the plans, there has been a sharp deceleration in 2000-01. The share of Railways suffered a sharp deceleration from an average of 38.5 *per cent* during 1985-90 to an average of 28.2 *per cent* during 1997-2001.

2.31 The shift in the relative shares of the different components of non-tax revenue has continued in the last three years as well. There was a sharp increase in the relative share of dividends and profits to 11.4 *per cent* during 2000-01, share of telecommunications has declined from 14.45 *per cent* during 1999-2000 to 8.54 *per cent* in 2000-01, partly due to the corporatisation of the operations of the Department.

2.32 Major components of the non-tax revenues and the observed growth rates over the sub periods of the Three Plans are indicated in Table 2.13. Interest receipts and revenue from railways constituted nearly 60 *per cent* of the overall non-tax revenue. Though average annual rate of growth in interest receipts improved over the plan periods, in 2000-01, the growth was negative. This was due to a decline in interest receipts from Railways and public sector undertakings. Interest receipt from railways declined from Rs 1864 crore in 1999-2000 to Rs 282 crore in 2000-01. Similarly, interest receipts from public sector undertakings declined from Rs 4943 crore in 1999-2000 to Rs 3430 crore.

Table 2.13: Composition of Non-Tax Revenue- Trends

(Rs in crore)

	Total Non-Tax Revenue	Interest Receipts	Dividends and Profits	Railways	Telecomm-unication	Other Services
1985-86	16663	4595	515	6591	1309	3653
1995-96	68621	18429	5306	22374	9761	12751
1997-98	92587	25343	7944	28518	14587	16195
1998-99	110572	30076	9411	29521	17744	23820
1999-2000	126323	38239	9553	32843	18257	27431
2000-2001	119121	36721	13575	34780	10175	23870
Average Annual trend growth rates *(in per cent)*						
1985-2001	15.15	15.78	27.28	12.06	20.33	13.67
VII Plan (1985-90)	15.21	13.84	23.00	12.15	24.62	16.77
VIII Plan (1992-97)	14.66	14.32	30.01	11.62	26.68	8.28
IX Plan (1997-2001)	9.30	14.48	17.61	7.37	-9.99	13.80
Annual Rate of Growth *(per cent)*						
1998-99	19.42	18.68	18.47	3.52	21.64	47.08
1999-2000	14.25	27.14	1.51	11.25	2.89	15.16
2000-01	-5.70	-3.97	42.10	6.20	-44.27	-13.35

2.33 Revenues from dividends and profit recorded a healthy growth of 42.10 *per cent* in 2000-01 and a long-term trend growth of 27.28 *per cent*. But as has been explained later in this chapter, returns were grossly inadequate given the investment. There was a negative growth in revenue from telecommunication and average annual growth during 1997-2001 slipped to (-) 9.99 *per cent* due a negative growth of 44.27 *per cent* in 2000-01. Non-tax revenue from other sources also recorded a negative growth of 13.36 *per cent* in 2000-01. The combined impact of all these resulted an overall negative growth in non-tax revenue in 2000-01.

2.34 Overall trends, performance over the plans and annual non-tax revenue/GDP ratios are indicated in Table 2.14:

Table 2.14: Non-Tax Revenue/GDP Ratio

	Non Tax Revenue Total	Interest Receipts	Dividends and Profits	Railways	Telecomm-unication	Other Services
1985-2001	5.99	1.65	0.37	2.04	0.68	1.25
VII Plan (1985-90)	6.09	1.65	0.19	2.34	0.50	1.41
VIII Plan (1992-97)	5.97	1.63	0.47	1.96	0.77	1.14
IX Plan (1997-2001)	6.08	1.76	0.54	1.71	0.84	1.23
Annual non-tax revenue/GDP ratio						
1998-99	6.29	1.71	0.54	1.68	1.01	1.35
1999-2000	6.45	1.95	0.49	1.68	0.93	1.40
2000-01	5.50	1.69	0.63	1.61	0.47	1.10

2.35 Non-tax revenue as percentage to GDP remained stagnant at around 6 *per cent*. It had increased to a level of 6.3-6.5 *per cent* in 1998-99 and 1999-2000 due to increased revenue from telecommunication and petroleum. Decline in these revenues in 2000-01 led to a sharp fall in this ratio to 5.50 *per cent*.

Non-Debt Capital Receipts

2.36 Non-debt capital receipts consist of miscellaneous capital receipts (disinvestment) and recovery of loans and advances. Table 2.14 gives the details of non debt capital receipts from disinvestment and recovery of loans and advances given by Union Government to State and Union Territory governments, foreign governments, government corporations and non-government institutions and government servants.

2.37 The Union Government initiated the disinvestment process in 1991-92. The budget estimates and actual realisation of the proceeds from disinvestment are indicated in Table 2.15. This table also indicates the estimates and actual recovery of loans and advances of the Union Government.

2.38 Notwithstanding the limitations of the disinvestment policy, the Government has over a decade been able to realize 38.02 *per cent* of its cumulative budget estimates in this regard. Government's recovery of loans and advances on the whole has been on target primarily because of a captive clientele.

Table 2.15: Realisation from Disinvestment & Recovery of Loans

(Rs in crore)

Year	Disinvestment			Recovery of Loans		
	Budget Estimates	Actual Realisation	Per cent Realisation	Budget Estimates	Actual Realisation	Per cent Realisation
1991-92	2500	3038	121.52	6778	7001	103.29
1992-93	2500	1961	78.44	7608	7678	100.92
1993-94	3500	-48	-1.37	8073	7611	94.28
1994-95	4000	5078	126.95	7831	6507	83.09
1995-96	7000	362	5.17	7862	6999	89.02
1996-97	5000	380	7.60	8184	8696	106.26
1997-98	4800	910	18.96	9916	9596	96.77
1998-99	5000	5369	107.38	11560	13189	114.09
1999-2000	10000	1723	17.23	13337	12551	94.11
2000-01	10000	1870	18.70	15839	16799	106.06
Overall	54300	20643	38.02	96988	96627	99.63

2.39 Other capital receipts consist of market borrowing and accruals in the public accounts, which are debt creating in nature and are discussed in later chapters.

Inadequate Returns on Investments

2.40 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 year 2000-01. 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 94898 crore on 31 March 2000 to Rs 99322 crore on 31 March 2001.

2.41 The Union Government received a dividend of Rs 3179.49 crore during 2000-01 on an investment of Rs 72921.05 crore (as on 31 March 2000) in 249 government companies and corporations, which was only 4.36 *per cent* of investment. Out of 249 PSUs, 83 paid dividend to the Union Government in 2000-01, as shown in Table 2.16.

Table 2 .16 Sector-wise Number of PSUs Paying Dividend

Ministry	Number of PSUs.	PSUs paying dividend	Ministry	Number of PSUs.	PSUs paying dividend
Industry	50	4	Finance	5	2
Steel and Mines	16	7	Urban Affairs and Employment	4	1
Chemicals and Fertilizers	19	4	Atomic Energy	5	2
Home Affairs	16	2	Food & Civil Supply	3	1
Petroleum and Natural Gas	13	11	Health and Family Welfare	3	2
Agriculture	13	3	Electronics	3	1
Energy	13	9	Environment and Forest	3	1
Railways	13	4	Water Resources	3	1
Textiles	10	3	Science & Technology	2	Nil
Surface Transport	10	2	Food Processing	2	Nil
Commerce	8	5	Information and Broadcasting	2	2
Defence	8	7	Planning	2	Nil
Welfare	5	Nil	Rural Areas and Employment	2	Nil
Civil Aviation & Tourism	5	2	Human Resource Development	1	1
Communication	5	5	Space	1	1
Tribal Affairs	2	Nil	Social Justice and Empowerment	2	Nil
			Total	**249**	**83**

2.42 The major contributors of dividend were Oil and Natural Gas Corporation (Rs 780 crore), Indian Oil (Rs 255 crore), Gas Authority of India

(Rs 171 crore), Hindustan Petroleum (Rs 145 crore), Bharat Petroleum (Rs 124 crore), Power Finance Corporation (Rs 125 crore), Coal India Limited (Rs 116 crore), Mahanagar Telephone (Rs 106 crore), Oil India (Rs 105 crore), National Aluminium Company (Rs 112 crore), NTPC (Rs 350 crore), and Neyveli Lignite Corporation (Rs 118 crore). In most of these cases, product prices are administratively determined or regulated to varying degrees.

2.43 CAG's Report No. 1 (Commercial) of 2002 indicates that 94 companies under 22 Ministries/Departments have completely eroded an investment of Rs 12605.35 crore made in their equity capital of as a result of losses accumulated. Consequently, the net worth of these Companies at present is negative and recovery of the loans given by the Government and other agencies to these Companies has become doubtful.

2.44 A review in audit of prices of shares prevailing in the stock market in respect of 28 Government Companies listed in the various stock exchanges for which data was available also revealed that the total market value of their equity shares as on 31 March 2001 stood at Rs 86595.84 crore as compared to the total book value of Rs 100501 crore indicating an erosion of Rs 13905 crore in their value.