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REPORT OF
THE WORKING GROUP ON

SAVINGS

FOR
THE TENTH FIVE YEAR PLAN
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REPORT OF THE WORKING GROUP ON DOMESTIC AND FOREIGN SAVING FOR THE TENTH FIVE YEAR PLAN

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There is an imperative need for sustaining comparatively high rates of growth in an environment of stable prices during the Tenth Five Year Plan period (2002 to 2007). Against this backdrop, it is expedient to inquire whether savings required to sustain the envisioned growth rates are adequate. An assessment of the behaviour of savings across diverse sectors of the economy and of the potential cross-boarder net inflows is a critical and mandatory exercise, in this context. Planners will secure insights about the objective dimensions of investment that could be assumed on the basis of projection of realistic rates of savings over the plan period.

Composition of the Working Group

Planning Commission, Government of India, vide their Office Order No.3/3/2000-FR dated 10th January 2001 constituted a Working Group to undertake the above exercise. The composition of the Working Group is as follows: -

1.	Dr.Y.V.Reddy, Deputy Governor, Reserve Bank of India, Mumbai.	**Chairman**
2.	Prof. V.N.Pandit, Delhi School of Economics, New Delhi.	Member
3.	Dr.Ashok Lahiri, Director, National Institute of Public Finance and Policy, New Delhi.	Member
4.	Dr.Pranob Sen, Adviser (PP), Planning Commission, New Delhi.	Member
5.	Dr.N.J.Kurian, Adviser (FR), Planning Commission, New Delhi.	Member

6. Dr.Arvind Virmani, Adviser, Planning Commission, New Delhi. — Member

7. Dr.A.C.Kulshrestha, Deputy Director General, Central Statistical Organisation, New Delhi. — Member

8. Shri P.K.Choudhury, Managing Director, ICRA, New Delhi. — Member

9. Dr.R.B.Barman, Executive Director, Reserve Bank of India, Mumbai. — **Member Secretary and Nodal Officer**

Terms of reference of the Working Group are as follows: -

1. To estimate domestic private savings and each of its components and interlinkages between them, if any.

2. To estimate domestic private savings in physical assets and each of the different components of financial assets keeping in view the likely developments in the areas of provident and pension funds and the insurance sector.

3. To examine the relative merits of various instruments of financial savings, in particular those relating to small savings.

4. To estimate own surplus of Financial Institutions.

5. To estimate public sector's draft on private savings keeping in view the needs of fiscal sustainability and commitments under the Fiscal Responsibility legislation.

6. To estimate the amount of external aid from multilateral and bilateral sources, separately for loans and grants.

7. To assess the flows of foreign direct investment and portfolio investments comprising equity and non-equity components.

8. To estimate the magnitude of external commercial borrowings including suppliers' credit; and

9. To suggest measures to increase the rate of domestic savings and attract larger flows of foreign savings.

Proceedings of the Working Group and its Sub-Groups

The first meeting of the Working Group was held on April 30, 2001 at the Reserve Bank of India, New Delhi. The deliberations in this meeting were focused on determinants of savings, sectoral aspects of savings, relationship between savings and investment and fiscal aspects of savings. The Group assumed a rate of growth of 8.0 per cent as a working estimate during the Tenth Five Year Plan. The Group had also decided to accept 2.8 per cent as savings from the rest of the world during the Tenth Plan. The Chairman underscored the imperative need to increase the rate of investment, under the circumstances of slowdown, as available savings are not inadequate. He suggested that institutional factors are more relevant to raise the savings, especially contractual variety. The Members highlighted the relevance of factors like the rate of economic growth, the demographic structure, fiscal stance, interest rates etc to raise the savings rate. The Chairman also stressed the need to focus on measures to improve the savings of the public sector and rectification of distortions in the rate of return on private savings with due attention on contractual savings.

The Group had decided to constitute four Sub-Groups on the following: (i) Household Savings, (ii) Private Corporate Sector Savings, (iii) Public Sector's Draft on Private Savings and (iv) Inflow of Foreign Savings (Annexure). The four Sub-Groups held meetings at diverse points of time. The Sub-Group on Household Saving held its first meeting June 12, 2001 at the Reserve Bank of India, New Delhi and deliberated on the methodology for projecting household saving including the instrument-wise projections for household saving in financial assets. The Sub-Group prepared its Report, which was discussed in the second meeting held on June 26, 2001 and the Report was adopted by its Members. The Sub-Group on Private Corporate Saving held its first meeting on August 4, 2001 and decided on adoption of two alternative approaches to projection, the first based on a regression approach and the second based on financial ratios for the corporate business sector. The Sub-Group discussed its projections on the basis of two alternative approaches and the Sub-Group's report was finalized and adopted on August 23, 2001. The Sub-Group on Public Saving met three times at New Delhi. In the first meeting held on June 25, 2001, the terms of reference of the Sub-Group were finalized. In the second meeting held on July 27, 2001 the first draft of the Sub- Group Report was discussed. This Sub-Group also discussed a note on the likely behaviour of interest rates. The Sub-Group submitted its report on August 17, 2001 taking into account the comments received on the interim projections. The Sub-Group on Foreign

Saving held its meeting on June 18, 2001, at the Ministry of Finance, New Delhi. The Sub-Group submitted its draft report on August 1, 2001.

The Working Group places on record its deep appreciation to the Conveners and Members of the various Sub-Groups who worked with dedication to bring out reports on their respective areas of inquiry. Each Sub-Group was assisted by a team of officers and all of them deserve high appreciation.

Based on the information and analytical perspectives provided by the reports of four Sub-Groups, a Draft Report of the Working Group was prepared for discussion and sent to all the Members on September 3, 2001. The Draft Report was revised on the basis of comments received from Members and was again circulated among all the Members. The Working Group adopted the Report on September 20, 2001.

The Report is organized in six sections, which includes an introductory section. **Section II** traces the recent trends in saving and investment in India. **Section III** presents the projections for the Tenth Five Year Plan. **Section IV** focuses on the relative merits of various financial saving instruments including small savings. **Section V** discusses the measures to increase domestic and foreign saving and **Section VI** presents briefly the recommendations of the Working Group.

Section II

Domestic saving primarily consist of three components, viz., household sector saving, private corporate sector saving and public sector saving. Household sector saving constitutes the largest portion of gross domestic saving. Household sector saving comprises saving in financial assets and saving in physical assets. Household saving in financial assets (net) is estimated as gross financial assets net of financial liabilities, while household saving in physical assets is the net addition to physical assets by the households. Gross financial saving of the household sector include the saving in the form of currency, bank deposits, non-bank deposits, saving in life insurance fund, saving in provident and pension fund, claims on government, shares and debentures inclusive of investment in mutual funds and net trade debt. Financial liabilities cover the loans and advances from banks, other financial institutions, government, and co-operative non-credit societies.

Recent trends in saving and investment in India

The secular trend behaviour of aggregate savings and investment rates in India, historically, is impressive. The gross domestic saving (GDS) rate as a per cent of gross domestic product at current market prices (GDP) consistently improved over the years. The GDS rate moved away from a scant average of 9.9 per cent of GDP in the ‘fifties to touch an average of 12.7 per cent during ‘sixties, an average of 17.5 per cent in ‘seventies, 19.4 per cent in ‘eighties and peaked to an average of 23.0 per cent in ‘nineties. Currently, the GDS rate is lingering in a constricted band of 22.0-23.0 per cent of GDP per annum. The GDS as per cent of GDP was lowest during 1953-54 with just 7.9 per cent of GDP, which touched an all-time high of 25.0 per cent of GDP during 1995-96. An analysis of plan-wise performance of average rate of GDS reveal that from an average of 9.5 per cent during the First Plan period, GDS rate had crossed an average of 15.0 per cent by the Fourth Plan, 20.0 per cent by the Seventh Plan and stabilized close to an average 23.0 per cent of GDP during the Eighth and Ninth Plans. The trends in gross domestic capital formation (GDCF) as a per cent of gross domestic product (GDP) moved in tandem with the trends in GDS rate. The average GDCF as a per cent of GDP was just 11.3 in the ‘fifties. It increased successively to an average of 14.6 per cent during ‘sixties, an average of 17.6 per cent in ‘seventies, 21.2 per cent in ‘eighties and peaked to an average of 24.4 per cent in ‘nineties. The GDCF as per cent of GDP was lowest during 1953-54 with just 7.8 per cent of GDP, which touched an all-time high of 26.8 per cent of GDP during 1995-96. Currently, the GDCF rate is hovering in a narrow band of 23.0-25.0 per cent of GDP per annum.

In retrospect, the high saving phase of ‘seventies was aided, among other factors, by extensive institutional build up of banking infrastructure, high currency expansion to support large foodgrains procurement operations, larger acquisition of physical assets supported partly by increased flows of institutional credit. The saving rate declined, in early ‘eighties due to a fall in savings rate of physical savings of the household and public sector. Subsequently, in a diametrically opposite turn, the saving rate increased to touch 24.0 per cent by the end of ‘eighties and increased further to 24.2 per cent in 1993-94. The rate of gross domestic saving after having peaked at 25.0 per cent of GDP in 1995-96, declined to 23.2 per cent in 1996-97 and to 22.0 per cent in 1998-99. The record performance of saving during 1994-95 and 1995-96 was due to improved performance of corporate sector. Sustained fall in all the three sectors between 1995-96 and 1997-98 contributed to the drop in GDS rate. Although, the household sector saving improved modestly since 1998-99, a stagnated performance of private corporate sector and a persistent negative rate of growth of public sector saving have led to the overall decline in GDS rate in recent years. While low profitability could be seen as the reason for the dip in the private corporate sector saving, the increased dissaving by government administration appears to burgeoned from fiscal slippage, which is the overriding reason to the ebb in public sector saving.

Sector-wise performance

The experience of saving during the period 1970-71 to 1998-99 was marked by a simultaneous secular increase in the rate of gross domestic savings as a per cent of gross domestic product and the rise in the rate of financial saving of the household sector and private corporate sector. The steady deterioration in public sector saving resulted in the erosion of investible surplus in the economy. The public sector saving rates declined in both the 'eighties and 'nineties. Public sector saving averaged 3.7 per cent of GDP in the first half of 'eighties but could average only 2.0 per cent in the later half. In the 'nineties public sector saving rate has fallen further to 1.2 per cent of GDP on an average basis. The private corporate saving rate on the other hand increased from 1.6 per cent of GDP in the first half of 'eighties but averaged 2.4 per cent in the later half. During the 'nineties, household sector's financial saving emerged as the single most important contributor to GDS. The performance of the private corporate sector also improved during the 'nineties, while the public sector experienced a notable downturn in its saving performance. Given the fairly high public sector deficits in relation to GDP during the 'nineties the public sector had to make a draft on household sector saving in particular.

Instrument-wise performance

The chief sources of remarkable growth of savings of the household sector during Eighth and Ninth Plans have been predominantly increased holdings of currency, bank deposits and higher investments in shares and debentures by the household sector. Notwithstanding a sporadic rise in the share of physical saving during certain years, financial saving has been the mainstay of household sector saving. This was rendered possible by an increase in bank deposits held by the household sector contributing to a sharp enlargement of the sector's saving in financial assets, contractual saving mobilized from the household sector and claims on Government. An attribute of household saving in financial assets has been a substitution, within such savings, from bank deposits to shares and debentures and units of UTI and mutual funds, reflecting both the expansion and diversification of the financial system and the emanation of a more mature investing class amenable to returns.

The significance of financial saving is better appreciated from structural composition of the GDS. The share of financial saving in the total saving increased from 23.7 per cent in early 'seventies to 44.5 per cent in late 'nineties. During the same period, there has been a downward drift in the share of physical saving from 48.4 per cent to 33.3 per cent, which resulted in a corresponding rise in the share of financial saving from 51.6 per cent to 66.7 per cent. Within household sector financial saving contrary to experiences of dis-intermediation in a number of developed economies, bank deposits turned out to be the most popular abode of saving, whose share improved from a 8.1 per cent in early 'seventies to 16.3 per cent in late 'nineties. During the same period the share of shares and debentures also increased from just 0.8 per cent to 3.9 per cent in late 'nineties. Similarly, the share of contractual savings increased during the same period from 10.3 per cent to 14.5 per cent of the total gross domestic saving.

The phenomenon of financial saving outperforming the physical saving during the 1990s could be attributed to the increased financial intermediation, enlarging and diversification of the financial system with a spacious spread of accessible financial assets on top of the augmentation in comparable rates of yield on financial assets. Over and above higher rates of return on household financial saving as distinct from physical saving, the choice of households for less risky bank deposits, contractual savings and small saving instruments have shifted the composition of household saving in favour of financial assets. Financial intermediaries played a crucial role in the process, as they provided savers an array of portfolio choices with diverse maturities and dissimilar risks. As they function on a scale, which facilitate pooling of independent risks, they have been able to raise and apportion savings more efficiently. This has assisted in raising aggregate saving and investment in the economy as is manifested in a steadily rising financial saving since the 'seventies. Contractual savings like life insurance funds, provident and pension funds emerged as important financial assets in the household sector's portfolio. Contractual savings account for the second largest share in financial saving after deposits as an instrument of saving. The scale of such funds has improved progressively though its share has been largely stable comprising around a quarter of gross financial saving.

Macro-economic parameters –
Ninth Plan Targets and Achievement

	Real GDP (per cent per annum)	Per cent of GDP at current Market Prices		
		Average rate of GDS	Current A/C Deficit	Average rate of GDCF
Ninth Plan Targets	6.5	26.2	2.1	28.3
Achievement during the first three years (1997-98 to 1999-2000)	5.9	22.6	1.1	23.7

Note: Macro-economic parameters for the period 1997-98 to 1999-2000 have been worked out from the data provided in Economic survey.

(GDP : Gross domestic product; GDS : Gross domestic savings; GDCF : Gross domestic capital formation)

The Ninth Plan visualized an increase in aggregate saving and investment of 26.2 per cent and 28.3 per cent as per the 'Draft Ninth Five Year Plan'. Total saving during Ninth Plan is projected to aggregate Rs.20,10,800 crore. Keeping in view the need to maintain a sustainable current account gap, the foreign saving inflow had been projected at 2.1 per cent of GDP. In consonance with the projections of domestic saving and foreign saving, the aggregate gross domestic capital formation or the investment rate had been pegged at 28.3 per cent of GDP, which imply a plan investment of Rs.21,70,600 crore at 1996-97 prices during the Ninth Plan. The rate of growth of household sector, private corporate sector and public sector savings were projected at 19.8 per cent, 4.7 per cent and 1.6 per cent respectively. As against these projections, the achievements fell short of targets set for all the three sectors. The achievement in the first three years of the Ninth Plan (1997-98 to 1999-2000) of average rate of GDS at 22.6 per cent had fell short by over 3.0 per cent of the target. Correspondingly, the average rate of gross domestic capital formation was placed at 23.7 per cent as against the projection of 28.3 per cent. While the actual average household sector saving rate (1997-98 to 1999-2000) was placed at 18.9 per cent as against the target of 19.8 per cent, the projections for both private corporate sector and public sector saving rates also fallen short by 3.9 per cent and –0.16 per cent as compared to the targets of 4.7 per cent and 1.6 per cent respectively.

All in all, more than one fifth of the GDP is saved and invested. The saving and investment rates compare favourbly with many developed countries, although, they may be less than some of the newly emerging economies. India relied far less on foreign savings than most of the developing countries. Domestic saving has been financing substantial portion of the investment in India. Although, the rates of savings and investment have risen to impressive levels, recent slow down is a matter of concern, which needs to be halted through conscious policy intervention.

Section III

Projections for the Tenth Plan

Projections by all the Sub-Groups have been made under two scenarios. Under the base line scenario, the growth rate of GDP at constant (1996-97) prices has been maintained at 6.5 per cent. The alternative scenario assumes an accelerated growth path for the economy with a view to achieve a target annual average growth rate of 8 percent during the Tenth Plan. Rate of annual average inflation has been kept at 5 per cent per cent under both the scenarios.

(i). Household Sector saving

The exercise on the estimation of saving functions and that on the forecasts of household saving for the Tenth Five Year Plan has been undertaken under three broad stages. First, the saving functions are estimated for the household sector at the aggregate level, and based on these, the projections are made for the aggregate household sector saving. At the second stage, the saving functions are estimated for the household saving separately in the form of financial assets (net) and those in the form of physical assets. At the third stage, instrument-wise estimates of the household saving in financial assets (gross) were also obtained at the dis-aggregated level. The estimates of Gross Financial Assets are adjusted for Financial Liabilities so as to obtain the estimates of saving in Net Financial Assets. The period used for the estimation of saving functions ranges from 1970-71 to 1999-2000. The projections are made on the basis of certain assumptions regarding the trends in income during the Tenth Five Year Plan. With the progress in reforms and the emphasis on stabilizing the rate of inflation at a lower level, the rate of inflation measured in terms of change in GDP deflator was assumed to be 5.0 per cent during 2000-01 to 2006-07. The share of indirect taxes less subsidies in nominal GDP at factor cost was assumed to be 9.7 per cent for the Tenth Plan. This assumption is based on the average share recorded during the last five years i.e., from 1995-96 to 1999-2000.

Baseline scenario

Based on the above assumptions and methodology adopted, the rate of household saving is projected at 19.7 per cent during the Tenth Five Year Plan. The rate of household saving in financial assets is estimated at 11.4 per cent, while that in physical assets is projected at 8.3 per cent during the Tenth Five Year Plan. In absolute terms, savings of the households during the Plan period is expected to be Rs. 34,53,434 crore consisting of Rs. 19,75,478 crore in financial assets (57.2 per cent) and Rs. 14,77,956 crore (42.8 per cent) in physical assets. Instrument-wise, the share of capital market related instruments is anticipated to show a sharp increase, from 4.5 per cent during the first three years of the Ninth Five Year Plan to 6.2 per cent during the Tenth Five Year Plan. The share of contractual savings is also likely to improve from 32.5 per cent to 37.8 per cent. In contrast, the share of currency and deposits is expected to show a steep decline followed by 'others'. The household saving in market-related instruments is estimated at Rs. 1,45,215 crore during the Tenth Five Year Plan.

Several policy-initiatives have been taken to encourage contractual savings in recent times. The insurance sector is now open to private sector participation and the latter has also become active. Attempts are being made to operationalise the report of the Committee on Old-Age, Social and Income Security (OASIS), which has underlined the need for individual's financial participation in the pension schemes. Besides, the Government of India has reportedly decided on converting the present pay-as-you-go scheme into a funded pension scheme. These measures would lead to an increase in the relative share of contractual savings in the household sector from 3.9 per cent of GDPMP during the first three years of the Ninth Five Year Plan to 5.1 per cent of GDPMP during the Tenth Five Year Plan. The share of provident and pension fund is expected to rise sharply from 2.5 per cent in the first three years of the Ninth Plan to 3.4 per cent in the Tenth Plan and that of the life fund marginally from 1.4 per cent in the first three years of the Ninth Plan to 1.7 per cent during the Tenth Plan. In actual terms, the likely quantum of contractual savings are placed at Rs. 8,85,343 crore comprising Rs. 5,90,229 crore by way of provident and pension funds and Rs. 2,95,114 crore by way of life funds. On the other hand, household savings in the form of currency and deposits during the Tenth Five Year Plan are expected to be 6.1 per cent of GDPMP. The share of bank deposits is expected to show a marginal rise from 4.6 per cent during the first three years of the Ninth Five Year Plan to 4.7 per cent during the Tenth Five Year Plan period and that of non-bank deposits is expected to remain unchanged at 0.4 per cent over the same period. The anticipated softening of interest rates on deposits could encourage the savers to seek alternative avenues.

Alternative scenario

The projections based on real GDP growth at 8.0 per cent show that the annual average rate of saving of the household sector during the Tenth Five Year Plan period would be 19.9 per cent of GDP. The rate of household savings in financial assets, projected with 8 per cent growth rate is expected to move to 11.50 per cent in the case of financial saving and 8.40 per cent in the case of physical saving. In absolute terms, under the assumption of GDP growth at 6.5 per cent, the household saving projected is expected to be at Rs. 34,53,434 crore, consisting of Rs. 19,75,478 crore in financial assets (57.2 per cent) and Rs. 14,77,956 crore (42.8 per cent) in physical assets. With the GDP growth assumptions of 8.0 per cent, the household saving projections are expected to be at Rs. 37,26,016 crore (consisting of Rs. 21,65,745 crore i.e., 58.1 per cent in financial assets and Rs. 15,60,272 crore i.e., 41.9 per cent in physical assets).

Instrument-wise, the share of capital market related instruments is anticipated to show increases from 4.5 per cent during the first three years of the Ninth Five Year Plan to 6.3 per cent during the Tenth Five Year Plan. The share of contractual savings is also likely to improve from 32.5 per cent during the first three years of the Ninth Five Year Plan to 36.5 per cent. In contrast, the share of currency and deposits is expected to decrease from 50.5 per cent during the first three years of the Ninth Five Year Plan to 46.0 per cent. As discussed earlier, this shift in the preferences in saving in different financial instruments by the household sector can be partly attributed to the enduring competition and likely success of policy measures.

An instrument-wise analysis of the household sector's saving portfolio shows a few significant shifts in the relative shares of instruments of savings. The rate of household saving in market-related instruments is likely to show an improvement from 0.5 per cent during the first three years of the Ninth Five Year Plan 0.90 per cent during the Tenth Five Year Plan. The rate of saving in provident and pension fund is expected to show an increase from 2.5 per cent during the first three years of the Ninth Five Year Plan to reach 3.30 per cent. Life fund is also expected to rise from 1.4 per cent during the first three years of the Ninth Five Year Plan to around 1.7 per cent. The rate of household sector saving in the form of currency and deposits is anticipated to be 6.4 per cent as against 6.1 per cent during the first three years of the Ninth Plan.

(ii). Private Corporate Sector saving

The private corporate sector comprises of (i) non-government non-financial companies, (ii) commercial banks and insurance companies working in private sector, (iii) co-operative banks, credit societies and non-credit societies, and (iv) non-banking financial companies in the private sector. The estimates of gross saving and gross capital formation of non-financial companies in the private sector for the Tenth Plan period, have been derived by following two approaches, viz., (i) Regression Approach and (ii) Ratio Approach. Under the regression approach, gross fixed assets, stock of inventories, sales, gross profits, profit before tax (PBT), tax provision (TP), dividends, retained profits and depreciation have been worked out based on their relationships with other economic variables of importance and relevance, for which the data are projected for the Plan period. The regression equations have been estimated based on the data for the period 1985-86 to 1999-2000.

Based on the projections, the estimates of gross saving of the private corporate sector are placed at Rs.9,57,930 crore and Rs.10,07,215 crore, respectively, under the two scenarios for the Plan period. The gross saving is projected at Rs.8,38,409 crore and Rs.8,78,738 crore for private non-financial companies for the two scenarios. The gross saving of the private banks and private insurance companies institutions has been projected at Rs.25,665 crore and Rs.26,505 crore, respectively. In the case of cooperative banks, cooperative credit and non-credit societies, the gross saving is projected at Rs.23,451 crore and Rs.24,846 crore respectively for scenarios I and II. Gross saving of the Non-banking Financial Companies (other than banks, insurance & cooperatives) has been projected at Rs.70,405 crore and Rs.77,126 crore, respectively, in the two scenarios for the Plan period. As against these estimates of saving, the gross capital formation of the private corporate sector has been projected at Rs.14,37,076 crore and Rs.16,38,406 crore.

The gross saving of the private corporate sector has, thus, been projected around Rs.9,57,930 crore and Rs.10,07,215 crore for the Tenth Plan period under the assumption that GDP would grow by 6.5 per cent and 8 per cent, respectively. Gross capital formation, on the other, has been projected at Rs.14,37,076 crore and Rs.16,38,406 core for the two scenarios. **In terms of GDP at current market prices, gross saving of the private corporate sector is projected to account for about 5.49 per cent and 5.51 per cent of GDP under baseline and alternative scenarios, whereas the rate of gross capital formation is estimated to be around 8.23 to 8.97 per cent.** This is higher than the present ratio of 7 per cent observed during 1996-97 to 1999-2000. The higher ratio for capital formation by the private corporate sector than that witnessed in the Ninth Plan period, may be seen from the point of higher inflow of foreign direct investment, privatization of infrastructure projects, divestment of public sector's investment, etc.

(iii). Public Sector saving

The public sector's savings are constituted of : (i) government savings; and (ii) savings generated by the public sector undertakings in the form of internal resources. One method of estimating public sector saving is to examine the relationship between public savings and the consolidated revenue deficit of government – which is a proxy measure of government savings. The following equation has therefore been obtained by regression method.

$$PBS = 25925.2 - 0.323922\ RFD$$

T - Statistic (4.19) (-3.37)

R Square 0.54

where: PBS = Public Sector savings
RFD = Combined Revenue Deficit

On the basis of above-mentioned equation, the public sector savings as percentage of GDP works out to be –0.55% and 0.29% respectively under baseline scenario and accelerated scenario of 10^{th} Five Year Plan.

An alternative methodology would be to decompose the components of public sector savings and examine their behaviour separately. It is the government saving which can properly be linked to the combined revenue deficit of the government, although the correspondence is not exact. The reason for this is that the Central Statistical Organization, which measures savings, uses an economic classification of expenditure to distinguish between investment and consumption. The Government budgets, on the other hand, use an accounting classification. This creates a certain amount of non-comparability between the two measures of current expenditures. The second reason for discrepancy between savings and revenue deficit lies in the definitions:

Revenue surplus = Revenue receipts – revenue expenditures

Government Savings = Current receipts – consumption expenditures

The difference between the two is:-

Revenue expenditures = consumption expenditures + net transfers

where:

Net transfers = Total transfers – direct taxes

In the absence of an exact relationship between the combined revenue deficit of the Government and the Government savings, the Government. savings could be estimated through the observed relationship between the two variables over the past few years. On the basis of observation of the last 10 years data, the gap between Government savings and combined revenue deficit as percentage of GDP at market prices is estimated as 2.1 percentage points on average. Applying this factor to the combined revenue deficit projected in the Sub Group report, the **Government saving under baseline scenario is projected to be (-) 2.02% of the GDP. Under accelerated growth scenario, the projection of Govt. saving is estimated to be 1.31% of the GDP.**

As regards the **savings generated by public sector enterprises** in the form of internal resources, no estimate is available for the future. A perusal of the past data, however, reveals that such savings have more or less steadily increased from 2.95% of GDP in 1990-91 to 3.58% in 1999-2000. If this trend were to continue in the future, then **the average for the Tenth Plan period could be in the range of 3.9 to 4.1% of GDP.**

However, there are a number of issues, which need to be taken into account before such projections can be made. First, the projections for the Tenth Plan made by the Sub-group on Public Draft on Private Savings include substantial disinvestment in the public sector both in the base line and the accelerated scenarios. If these projections are realized, then the public sector character of many of the existing PSUs will stand altered. This effect will be much more marked in the accelerated growth scenario. Second, the funds raised from disinvestment are to be only partly used for public investment, particularly in PSUs in the infrastructure sectors. Therefore, the relative profitability of these PSUs would need to be taken into account. Issues of user-charges and cross-subsidies would then become critically important. Third, with the liberalisation of the economy, there is an expectation that the over-all level of profit margins will decline, and PSUs will not be immune to this trend. Finally, given the secular reduction that has taken place in the share of PSU investment to total investment in the economy, both the share of PSUs in GDP and therefore their internal resources to GDP ratios, are also likely to decline.

On the basis of the above considerations, it is felt that **savings of public enterprises as a percentage of GDP** will decline during the Tenth Plan period. Although no precise estimates can be made, a reasonable figure for the **base-line scenario would be around 3.2%**. In the **accelerated growth scenario**, the figure will be even lower, although some positive effect is expected from the proposed reforms in user-charges and reduction of cross-subsidies. A guesstimate would place **this figure at about 2.9% of GDP**.

Thus, **total public saving by this method is estimated to be 1.18% of GDP in the base-line scenario; and 4.21% in the 8% growth scenario**. It may be noted that these are significantly different from the estimates arising from the regression analysis. It is felt, however, that these estimates may in fact reflect the changing structure of the Indian economy better than the other set of estimates.

Public sector's draft on private saving

The public sector's claim on private savings, also known as public sector's draft on private savings, has three components; namely (a) Gross Fiscal deficit of Centre & States/UTs, (b) Extra Budgetary Resources (EBR) of Central Public Sector Undertakings (CPSUs) and state Level Public Undertakings (SLPEs) and (c) Disinvestments. Of these, the Gross fiscal Deficit (GFD) is the major component.

Projections for Central Government

While projecting interest payment by Central Government, the interest rate in future is assumed to slide down from 9 per cent to 8.5 per cent by the end of Tenth Five Year Plan. The projection of defence expenditure under Central Government financing has been based on the historical trend value of 13.5 per cent per annum. Annual increase of 7 per cent in pay and allowances has been worked out comprising 5 per cent on account of DA and 2 per cent on account of annual increment. Thus, the central government expenditure under baseline scenario of the Tenth Five Year Plan is projected to grow at an average annual rate of 11.02 percent. On average this would constitute about 14.3 percent of

GDP at current market prices. The gross tax revenue of the Central Government is projected to grow at a rate of 13.6 per cent p.a. during the Tenth Five Year Plan. Non-tax revenue of the central government is projected to grow at 11.26 percent per year. **The component wise projection of Central Government Finances as mentioned above would contain the Central Government fiscal deficit at 4.11 per cent of GDP on average during Tenth Five Year Plan.** The Fiscal deficit for the terminal year of the Plan is projected to be 3.83 percent of GDP**. The corresponding revenue deficit of the Central Government is projected to be 2.49 per cent of GDP on average during the Tenth Plan.**

Projections for State Governments

During the Tenth Five Year Plan the plan expenditure of all State Governments are projected to grow at an annual average rate of 14 per cent. This is the same rate at which the Annual Plan expenditure during the Ninth Plan at current prices grew. As a percentage of GDP, plan expenditure is projected to increase from 4.14 per cent in the base year to 4.56 per cent of the GDP in the terminal year of the Tenth Plan. Interest payment, which constitutes a major chunk of non-plan expenditure, is projected to increase at the rate of 15.64 per cent per annum. Of all the major components of non-plan expenditure incurred by the State Governments, pay and allowances accounts for about 33 per cent. For the Tenth Five Year Plan, expenditure under this head is expected to grow at the same pattern as that under Central Finances. Accordingly, the pay and allowances paid to the State Government employees are projected to grow at the rate of 9 per cent per annum. The 'Other Non-Plan Expenditure' is projected to grow at the trend growth rate of 8.3 per cent. Thus, the total non-plan expenditure is projected to grow at a rate of 10.53 per cent per annum resulting in an annual growth of 11.52 per cent in the total expenditure of States/UT Governments. Under tax revenue, States own tax revenue, a tax buoyancy of 1.1 has been assumed. **The component-wise projection of State Finances would result in an average fiscal deficit of 3.57 per cent during the 10th Plan. The corresponding revenue deficit, as percentage of GDP, would be 1.53 per cent on average during the Plan.**

Public Sectors' draft on private savings under the baseline scenario

The total of the Gross Fiscal Deficit of Centre and States/UTs, have been projected to be 7.68 per cent of GDP on average for the Tenth Plan period and 7.27 per cent of GDP by the terminal of Tenth Five Year Plan. **On an average, Government Finances are expected to claim 6.68 per cent of GDP from the private sector's savings during the Tenth Plan. Taking into account Disinvestments and Extra Budgetary Receipts, Public sector is projected to claim about 8.98 percent of**

GDP from the private savings. Of this fiscal deficit would alone constitute 6.68 percent of GDP.

Projection under accelerated growth scenario

Projections for Central Government

Under the Accelerated Growth Scenario, the economy is assumed to grow at an annual average rate of 8 per cent. Attainment of this growth path would necessitate new policy initiatives and their effective implementation. Therefore, projection of government finances under this scenario cannot be made directly from the past trend, which requires assumptions of continuity. The projection of interest payment assumes that the rate of interest is assumed to slide down from 9 per cent to 8.5 per cent by the end of Tenth Five Year Plan. The average defence spending would constitute 2.57 per cent of the GDP during the Tenth plan. It is assumed that the salary and wage of the Government employees during the Tenth Plan to increase at an annual rate of 5 per cent. The Other Non-plan Expenditure is projected to grow at an annual rate of 5 per cent. The projection of various components of Central Government expenditure as explained above makes the total expenditure of the Central Government grow at an average annual rate of 10.94 per cent. As a percentage of GDP at current market prices the Central Government expenditure would come down to 13.45 per cent from the base year level of 15.1 per cent. On average this would constitute 14.07 per cent of GDP during the Tenth Five Year Plan. The gross revenue collection is projected to grow at an annual rate of more than 18.75 per cent. Non-tax revenue of the Central Government, which comprises mainly of interest receipts, dividends and user charges, is projected to grow at 11.26 per cent per year. The gross fiscal deficit of the Centre could come down to 1.59 per cent of the GDP at market prices in the terminal year of Tenth Five Year Plan. This is consistent with the broad targets set in the Fiscal Responsibility and Budget Management Bill. **The average fiscal deficit for the Tenth Plan is thus projected to be 2.6 per cent of GDP.** The corresponding revenue deficit of the Centre is projected to decline from 2.76 per cent of GDP in the base year of the Tenth Plan to – 0.46 per cent in the terminal year**. This would make the average revenue deficit of the Central Government during Tenth Plan to be 0.93 per cent of the GDP at current market prices, which is consistent with the target set in the Approach Paper.**

Projections for State Governments

As a percentage of GDP, the Plan expenditure of States is projected to increase from 4.14 per cent in the base year to 4.69 per cent in the terminal year of the Tenth plan. This is consistent with the investment requirements of the economy to achieve a higher growth path. The total expenditure of States would grow at an annual average growth rate of 11.75 per cent. The projection of States own tax revenue assumes a tax buoyancy of 1.3. It has been assumed that the State Governments, following the lead of the Centre, will also embark on an aggressive course of disinvestments. An indicative figure of Rs.5000 crore has been taken for each year, totaling Rs.25,000 crore for the Plan period. **With the projection of State finance as explained above the average fiscal deficit of the States during Tenth Plan works out to be marginally lower than 2 per cent of GDP (1.88 per cent). The corresponding revenue deficit comes down to (-) 0.14 per cent on an average during Tenth Plan.**

Public sector's draft on private savings under accelerated Growth Scenario

The combined gross fiscal deficit of Centre and States, under the projection of draft on private savings, works out to be 4.48 per cent of the GDP. The net fiscal deficit of the Government works out to about 3.76 per cent of GDP. **On average Government finances would claim about 3.76 per cent of GDP from the private sectors saving during the Tenth Plan.** The corresponding revenue deficit of the Government works out to be 0.79 per cent of the GDP. Disinvestments in CPSUs and SLPEs together would claim 0.60 per cent of GDP from private savings. The draft on private sector through EBR would come down to about one percent of GDP. **Public sector, in aggregate, is therefore, projected to claim about 5.36 percent of GDP from private savings. Of this, fiscal deficit would alone constitute 3.76 percent of GDP.**

(iv). Foreign saving

The Working Group in its first meeting noted that the actual inflows of foreign saving during the Ninth Plan period was substantially lower than the estimates of the earlier Plan Document. As against an expected ratio of Current Account Deficit to GDP (CAD) of 2.0 per cent, the actual annual average ratio during the Ninth Plan was around 1.0 per cent. The Chairman was of the view that considering the volume of normal capital flows, the ratio in the range of 3.0 per cent to 4.0 per cent would be sustainable. The Working Group endorsed this view fully and accepted 2.8 per cent as savings from the rest of the world during the Tenth Plan period.

Projections of Current Account Deficit (CAD)

On the assumption of growth rate of 7 per cent per annum in world trade, exports are projected to grow by 11 per cent per annum in the baseline scenario throughout the Tenth Plan. In the case of the policy induced scenario, exports growth is projected to increase from 11 .5 per cent in 2002-03 to 17 per cent in 2006-07 (an average of 14 per cent during the plan period) in anticipation of better infrastructure and accommodative policy. Oil imports are projected on the assumption of crude price at US $ 25 per barrel and consumption rising in line with real GDP growth. Non-oil non-gold imports are projected to increase by 14 per cent per annum in the base line and by an average of 25 per cent p.a. in the policy induced scenario. Higher imports in the policy induced scenario reflect the need for import of higher capital goods to achieve higher GDP growth. Overall imports are projected to increase by 10 per cent p.a. and 17 per cent p.a. in the two scenarios respectively. Net invisibles surplus is projected at US $ 12-13 billion p.a. over the Plan period under the baseline scenario. Under the policy induced scenario the surplus would decline from US $ 11 billion in 2002-03 to US $ 8 billion by 2006-07 on account of higher debt-servicing related with external financing. Based on the above projections, **the CAD-GDP ratio is projected to average at 0.9 per cent over the plan period under the baseline scenario. Under the policy induced scenario, CAD-GDP ratio would be 2.8 per cent.**

The Sub-Group assumed that under the baseline scenario, no major policy development leading to full convertibility of rupee on capital account would take place. Baseline projections are simple extrapolation of the past trends in recent years. The sub Group, however, recognized the fact that even if the domestic policy stance continues as at present, external developments will influence capital inflows. It is also assumed that the post crisis recovery will gather momentum and the U.S economy will bounce back as soon as the phase of global slow down is over. It is assumed that with the strengthening of global economy, capital flows will increase in the emerging markets and India is likely to benefit in the process.

While projecting the inflows of foreign savings for the Tenth Five Year Plan the following assumptions have been made by the Sub-Group. The flows of foreign capital for 2001-02 have been projected jointly by the RBI and the Ministry of Finance. CAA and A has provided projections for External Assistance. External Commercial Borrowings have been projected jointly by the RBI and the External Debt Management Unit of the Department of Economic Affairs. IMF (net) has been projected on the basis of the assumption that due to comfortable foreign exchange reserves no emergency finance will be required. Projection of non-resident deposits took into account reduction in interest rates and expected re-investments of matured deposits. Rupee debt service is projected at equal amount per annum. Foreign investment has been projected by the External Sector Unit of the Economic Division on the basis of assumption that progressive liberalization and dismantling of caps applicable to foreign investment will accelerate inflows.

Annual average inflows of foreign investment is expected to reach US$ 8 billion in the Tenth Plan period from an average of US$ 4 billion in the Ninth Plan. Gross disbursement of external commercial borrowing are projected to increase by only US$ 1 billion per annum on an average to US$ 7 billion during the Tenth Plan compared to the annual average level of US$ 6 billion in the Ninth Plan because of cautious approach towards accumulation of debt stock. Average net borrowing is expected to be smaller due to repayments of RIB and India Millennium Bonds. Expectations about the external assistance have been modest and consistent with the global trends of declining official assistance. **On the whole, the outcome indicates that there would be a decline in the average annual inflow of net capital as a percentage of GDP from 1.96 per cent during the Ninth Plan to 1.70 per cent in the Tenth Plan.** This reflects a much steeper decline in the ratio of outstanding external debt to GDP from 22.06 per cent on an average during the Ninth Plan to 18.13 per cent during the Tenth Plan along with a rise in the share of non-debt flows in total capital inflows from 0.87 per cent in the Ninth Plan to 1.29 per cent in the Tenth Plan.

The Sub-Group has also made projections under the alternative scenario of 8 per cent growth rate during Tenth Plan. The Sub-Group felt that if all the second generation reforms are carried out India would become a favourable destination for foreign capital. The sub-Group assumed that there would be significant development of Indian debt market during the Tenth Plan period and India may also enter the World debt markets and introduce sovereign borrowings. The Sub-Group assumed that there may be further liberalization of capital account convertibility.

Under the alternative scenario a robust increase in foreign investment is envisaged. Annual average inflow (net) of foreign investment is expected to increase from US $4 billion to US$ 10 billion in the Tenth Plan. NRI deposits (net) is also projected to increase from an annual average of US $ 1.7 billion during the Ninth Plan to US $ 10 billion in the Tenth Plan attracted by the strong fundamentals and potential high growth of the economy.

Due to stronger policy emphasis on non-debt capital inflows, growth of domestic capital market and decline in domestic interest rate, external commercial borrowing is projected to increase only modestly. Gross disbursements have been projected to increase from US$ 6 billion per annum on average during the Ninth Plan to US $ 7 billion in the Tenth Plan. Due to heavy repayments on past borrowings of RIB and IMD, net borrowing is projected to decline steeply from an average of US $ 3 billion in the Ninth Plan to US $ 614 million in the Ninth Plan.

The overall outcome of the projections under alternative scenario indicates a marginal increase of the net capital flows as a percentage of GDP from 1.93 during the Ninth Plan to 2.18 during the Tenth Plan. This is led by a steep increase in the percentage of non-debt flows from an annual average of 0.87 per cent of GDP to 1.48 per cent of GDP during the corresponding period in the face of a decline in debt-GDP ratio from an annual average of 22.0 per cent during the Ninth Plan to 18.0 per cent during the Tenth Plan.

Section IV

The relative merits of various instruments of financial savings

Gross financial saving of the household sector include the saving in the form of currency, bank deposits, non-bank deposits, saving in life insurance fund, saving in provident and pension fund, claims on government, shares and debentures inclusive of investment in mutual funds and net trade debt. Among the various financial instruments of household sector saving, deposits with banks and non-banks occupy the largest portion, although the share of this instrument in gross financial savings declined from 48.2 per cent during 1996-97 to 37.1 per cent in 1999-00. This was followed by saving in provident and pension funds, a component of contractual saving. Its share increased from 18.1 per cent in 1995-96 to 23.1 per cent in 1999-00. The share of saving in insurance funds, the other component of contractual saving, also increased from 11.3 per cent in 1995-96 to 12.1 per cent in 1999-00. During the 1990s, the share of market-related instruments witnessed a steep decline from as high as 23.3 per cent in 1991-92 to 6.7 per cent in 1999-00. In contrast, the claims on government, which include small saving of households, showed a considerable improvement from 4.9 per cent in 1992-93 to 12.2 per cent in 1999-00. The instrument-wise rate of household sector saving in financial assets showed a decline in deposits from 5.6 per cent in 1995-96 to 4.5 per cent of GDP in 1999-2000 (Table 3). The claims on government and contractual savings (saving in provident and pension funds and insurance funds) moved up to 1.5 per cent of GDP and 4.3 per cent of GDP respectively, in 1999-2000, from 0.8 per cent of GDP and 3.1 per cent of GDP in 1995-96. There was also a lower recourse of households to the capital market (0.8 per cent of GDP in 1999-00), which experienced generally depressed conditions during this period. In other words, small savings and contractual savings continued to be the mainstay of household saving. The data indicate that there were switches by households from deposits to claims on government and saving in provident and pension funds and insurance funds.

Any exercise to assess the relative merits of various financial instruments is likely to be subjective. A given instrument is likely to be judged on the basis of three criteria by the saving household, namely, liquidity, return and safety, both as a precautionary measure on the part of the household as well as security as regards the institution to which savings are entrusted. Saving in the form of currency by a household are largely owing to the liquidity or transactionary considerations. As against this, saving in the form of contractual instruments, namely, insurance and pension and provident funds, are driven by precautionary considerations from the point of the view of the household. The saver's attempt is to smooth out the consumption across his/her life span in the face of any expected or unexpected fluctuation in the level of income and providing for his/her household in the event of any calamity. An instrument like deposits has been a preferred instrument largely by fixed income households since the three types of deposits, current, saving and fixed deposits, combine the various advantages of liquidity as well as returns. In the recent years, with the development of capital market, there has been an increasing preference by households for saving in market-related instruments, such as equity or shares. Such instruments offer the possibility of higher returns, however, with an element of risk attached to it. The other market-related instrument, debentures, is preferred by households as an instrument with relatively low risks and fixed returns. More importantly, claims on Government, which comprise Government bonds and small savings, such as saving in National Saving Certificates (NSC) have emerged as the most secure or safest instrument by households given the state backing to these instruments. This has been particularly true in the case of the risk-averse investors, such as fixed income or salaried households, who may shy away from market risks but wish to have a stable return over time. **The overall trend vividly brings out the shift in preference to bank deposits, capital market instruments, small savings and contractual savings whose combined share increased from about 19.0 per cent in early 'seventies to about 40.0 per cent in late 'nineties. While it is imperative to ensure positive real rate of return on these instruments, one needs to be vigilant about the implications of such shifts in preference to the interest burden to the borrower. This is all the more relevant in the case of instruments which carry tax exemptions on top of relatively better rates of return.**

Small savings mobilizations

The small savings constitute one of the important instruments of household financial savings in India. From time to time, Government introduced numerous small saving schemes at attractive interest rates, as well as tax benefits to encourage stable long-term savings in the economy. The gross mobilization through small savings schemes rose from Rs. 792 crore in 1970-71 to Rs. 3,267 crore in 1980-81, Rs.18,905 crore in 1990-91 and Rs. 86,000 crore in 2000-01. In terms of GDP, gross small savings rose from 1.7 per cent in 1970-71 to 3.9 per cent in 1999-2000. The outstanding in small savings stood at 10.8 per cent of GDP in 1999-2000. The major components of small savings schemes comprise Post Office Saving Bank Accounts, Post Office Recurring Deposits, Monthly Income Scheme, and Post Office Time Deposits; National Savings

Schemes; and National Savings Certificates, Public Provident Funds, and Kisan Vikas Patra. The outstanding under small savings grew from Rs.36,313 crore at end-March 1991 to Rs.1,73,860 crore at end-March 1999. Post Office Saving and other deposits constitutes the major component of small savings, however, the share of these schemes in total small savings outstanding has declined to 24.9 per cent at end-March 1999 from 33.5 per cent at end-March 1991. On the other hand, the share of other schemes like National Savings Certificates, KVP, and PPF has increased during the same period. Kisan Vikas Patra, the most popular scheme accounted for 26 per cent of the deposits in 1990-91 and has retained its position in 1999 also, with a share of 39 per cent. Similarly share of NSC-VIII has increased from 8.6 per cent at end-March 1991 to 14.9 per cent at end-March 1999 and that of PPF increased from 7.7 per cent to 14 per cent over the same period.

The compositional shift in the small savings outstanding indicates the change in preferences towards instruments of medium to long maturity. For strengthening the savings of the household sector, it is important to pay attention to the mobilization of small savings. Some of the schemes have sizeable participation from middle and higher income groups. The trends in small savings show that there were large collections under these schemes in eighties and nineties. The average growth in small savings collections during the last five years 1996-97 to 2000-01 was at 19.1 per cent. The majority of the investor's preference for small savings could be attributed to relatively high returns, risk free nature as they are backed by government guarantee and above all attractive tax exemptions. Interest rates on tax saving schemes are set by the Government and to make these schemes attractive, rates have been kept typically above the commercial bank deposit rates of similar maturity. The scope of incentives to savings under the Income Tax Act has been gradually enlarged over the years. On various small savings instruments three types of tax incentives are given: (i) the interest income earned from the instrument is exempt from income taxation under Section 80L available for Post Office Deposit Schemes and National Savings Certificates and National Savings Scheme, 1992 (ii) tax rebate equal to 20 per cent on deposits available under Section 88 for National Savings Certificates and (iii) withdrawals are completely exempt under Section 10 applicable to Post Office Savings Account, Public Provident Fund, and Deposit Scheme for Retiring Employees. **While it is imperative to keep the same pace of expansion in small savings, it is equally vital to rationalize the schemes in vogue taking into account the depositors' preference, long term stability in domestic savings and also cost effectiveness to the Government. There is a pressing need to align interest rates on small saving instruments with those on comparable instruments offered by banks, financial instruments. It is also mandatory to progressively do away with tax exemptions on small saving instruments and harmonize the tax exemptions on all types of saving instruments.**

Section V

Measures to increase the rate of domestic and foreign saving

(a). Household Sector saving – This constitutes the largest portion of the gross domestic saving. Several factors, viz., economic, financial and other household specific ones explain the growth of household financial saving. The significant determinants of the household financial savings include, inter alia, the disposable income of the household, structure of interest rates, expected inflation rate, development of the financial sector, etc. Of these, the variation in interest rates is likely to have mainly the substitution effect on the portfolio allocation of household saving. Substitution effect is the key to understanding the form in which the households would decide to save. In other words, the relative rate of return from alternative financial instruments would determine the decision of the constituents of the household sector to save in a given instrument. In that case, one would expect that the portion of total savings held in a particular form would be based on the yield that the various other instruments would fetch. In fact, the disposable income of the household is a scale factor that influences the quantum of resources saved by the households. Hence it is essential to accelerate the growth of income. Household saving may also depend upon the growth of the financial markets. The expansion of the banking network as an aftermath of bank nationalization resulted in tapping a large portion of household saving resources. This has been particularly important in the case of the rural areas, where bank deposits have emerged as an important instrument of saving. One may expect that with the dissemination of greater information regarding alternative instruments of saving, such as insurance funds, there can be further improvement in the long-term saving from the rural population. At present, various steps are being taken to raise the contractual savings of the household. The insurance sector is now open to private sector participation and private sector has become active in this field. Implementation of the schemes like Old Age, Social and Income Securities (OASIS) will provide a fillip to savings. Besides, the Government of India has reportedly decided to convert the present pay-as-you-go scheme into funded pension scheme. These measures are expected to increase the relative share of contractual savings and can help raise the saving rate of the economy.

(b). Private Corporate Sector saving - The stagnation in the saving rate of the corporate sector can be attributed to lower profitability conditions associated with the slackening of industrial activity as well as the subdued capital market. In an emerging market driven economy, the competitive environment would put pressure on costs and hence may necessitate the adoption of competitive pricing policies by the private corporate sector. In such scenario, it may be difficult to raise revenue and profits through increase in prices. In view of this, it would be necessary to seek an increase in profitability mainly through improvement in quality and the adoption of cost effective measures by the private corporate sector.

The gross saving of the corporate sector comprises of retained profits and depreciation provision. The retained profits are derived from their income after accounting for various manufacturing and other expenses, and provisions including the provision for taxes. Perhaps, further rationalization of the corporate tax structure could step up the savings of the sector. Secondly, depreciation is allowed on the fixed assets acquired by the companies from time to time. Exemptions on fixed assets at higher rates for providing the consumption of fixed capital could make the provision for depreciation to rise; thus making available larger amounts of funds for further investment in the fixed assets. The higher level of depreciation would increase saving rate and also investment rate. It is observed in the past that the inventory-sales ratio was on declining trend during the late nineties. Corporate sector need to efficiently manage inventories on one hand and demand for industry's output need to rise from other segments of the economy on the other hand so as to improve the corporate sector profitability and thereby its savings.

(c). Public Sector saving: The trends in public sector savings during the last three years of Ninth Plan emphasize the need for the rigorous fiscal discipline to be adopted during the tenth Plan. Fiscal management in the economy in recent times is constrained by high fiscal deficits due to revenue shortfall and expenditure overrun. Public sector savings rate declined in the 'eighties as well as in the 'nineties. The public sector savings declined mainly on account of a widening of revenue deficits in the Union and State budgets due to higher order of dissavings of the Government administrative departments. Therefore, the improvement in public sector savings largely depends upon a turnaround in the current account of the Government sector and enhanced surplus generation by public sector undertakings. User charges need to be indexed to the increase in input costs. Drastic pruning of the expenditure incurred on subsidies will result in savings. Rationalization in the number of Government employees and re-deployment of employees need to be considered. Raising the gross tax to GDP ratio through buoyancy and expansion of the tax base be given priority. For stepping up of Government sector saving it is essential to eliminate the revenue deficit and bring down the gross fiscal deficit to minimal level. This would require strengthening of fiscal correction by means of moderation in expenditure growth and enhancing revenue buoyancy.

(d). Foreign saving: To mobilize the required capital flows, inflows under FDI, portfolio investment and ECBs would have to increase significantly over the next five years. Following measures could be helpful in attracting large flows of foreign savings. Improvement in infrastructure facilities with support from FDI itself. While the existing FDI policy allows a significant role for FDI in infrastructure sectors, actual investment has been quite negligible. In power sector, foreign investors are expected to sell the power to the State Electricity Boards whose finances are in a bad shape and which increases the risk associated with such investments. This raises the issue of appropriate user charges and the health of state finances as indicated by the recent developments in the power sector. Therefore, along with reforms in FDI, efforts to consolidate and improve the health of state finances would be an important concomitant step. At present, FDI in most of the countries takes the form of mergers and acquisitions. In India, this process has been largely absent. Privatisation of public sector units holds a potential for attracting a higher level of FDI inflows. Other steps to attract larger FDI inflows would include, inter alia, labour reforms to allow greater labour market flexibility including an exit policy, legal reforms to bring consistency in laws within country and in line with international standards, an appropriate competition policy, cutting down procedural delays through decentralisation of the implementation process with accompanying state level reforms for quick and easy access to land, public utilities, raw materials and power through changes in legislation. In sum it would be necessary to enhance the policy and regulatory framework to facilitate capital flows, especially to infrastructure. In fact, both FDI and ECB could be enhanced but not FII inflows (the latter being more volatile). Debt markets also need to be further strengthened. These changes in the policy and regulatory framework are essential to avoid stress on reserves.

Section VI

Projections and Recommendations of the Working Group

(i). Gross Domestic Saving as a per cent of Gross Domestic Product

Taking into account the estimates of the four Sub-Groups, at the baseline scenario of 6.5 per cent growth in GDP, the Gross Domestic Saving as a per cent of Gross Domestic Product is projected at 26.3 per cent during the Tenth Plan period. The estimates for the alternative scenario of 8.0 per cent growth in GDP, project the Gross Domestic Savings as a per cent of Gross Domestic Product at 29.6 per cent of GDP during the Tenth Plan period.

(ii). Gross Domestic Capital Formation as a per cent of Gross Domestic Product

At the baseline scenario, the Gross Domestic Capital Formation as a per cent of Gross Domestic Product is projected at 27.2 per cent during the Tenth Plan period. The estimates for the alternative scenario, project the Gross Domestic Capital Formation as a per cent of Gross Domestic Product at 32.4 per cent during the Tenth Plan period.

(iii). Household sector saving

The rate of household saving is projected at 19.7 per cent during the Tenth Five Year Plan under the baseline scenario. The projections based on real GDP growth at 8.0 per cent show that the annual average rate of saving of the household sector during the Tenth Five Year Plan period would be 19.9 per cent of GDP.

(iv). Private corporate sector saving

In terms of GDP at current market prices, gross saving of the private corporate sector is projected to account for about 5.49 per cent and 5.51 per cent of GDP under baseline and alternative scenarios, whereas the rate of gross capital formation is estimated to be around 8.23 to 8.97 per cent.

(v). Public sector saving

Total public saving is estimated to be 1.18% of GDP in the baseline scenario and 4.21% in the 8% growth scenario.

(vi). Public sector's draft on private saving

Under the baseline scenario, public sector is projected to claim about 8.98 percent of GDP from the private savings. Of this, fiscal deficit would alone constitute 6.68 percent of GDP. Public sector is projected to claim about 5.36 percent of GDP from private savings, under the accelerated scenario. Of this, fiscal deficit would alone constitute 3.76 percent of GDP.

(vii). Foreign savings

The CAD-GDP ratio is projected to average at 0.9 per cent over the Tenth Plan period under the baseline scenario. Under the policy induced scenario, CAD-GDP ratio would be 2.8 per cent.

(viii). Net capital flows

Under the baseline scenario, there would be a decline in the average annual inflow of net capital as a percentage of GDP from 1.96 per cent during the Ninth Plan to 1.70 per cent in the Tenth Plan. The overall outcome of the projections under alternative scenario indicates a marginal increase of the net capital flows as a percentage of GDP from 1.93 during the Ninth Plan to 2.18 during the Tenth Plan.

(ix). Relative merits of financial saving instruments - Small savings

The overall trend in financial saving portrays decisive shift in preference to bank deposits, capital market instruments, small savings and contractual saving instruments. While it is imperative to ensure positive real rate of return on these instruments, one needs to be vigilant about the implications of such shifts in preference to the interest burden to the borrower. This is all the more relevant in the case of instruments which carry tax exemptions on top of relatively better rates of return creating avoidable distortions in yield structure.

It is critical to keep the same pace of expansion in small savings. However, it is equally vital to rationalize the small saving schemes in vogue taking into account the depositors preference, long term stability in domestic savings and also cost effectiveness to the Government. There is a pressing need to align interest rates on small saving instruments with those on comparable instruments offered by banks, financial instruments. It is also mandatory to progressively do away with tax exemptions on small saving instruments and harmonize the tax exemptions on all types of saving instruments.

(x). Measures to increase the rate of domestic saving

(a). Household Sector saving – The significant determinants of the household financial savings include, inter alia, the rate of economic growth, demographic structure, the disposable income of the household, structure of interest rates, expected inflation rate, development of the financial sector, etc. Consistent increase in disposable income is a necessary condition to accelerate the rate of household saving. Household sector should have accessibility to a variety of instruments with varying degrees of risk to suit individual preferences. Further expansion of financial infrastructure especially, in unbanked and rural areas will pave way to augment the saving pool. Innovative schemes to further improve the share of contractual savings need to be devised. Wider dissemination of greater information regarding alternative instruments of saving, such as insurance funds, can further the rate of long-term saving from the rural population.

(b). Private Corporate Sector saving - Corporate sector is traversing in a cycle characterized by subdued investment demand, decline in power generation and inventory accumulation. Notwithstanding such, aberrations, it would be necessary to seek an increase in profitability mainly through improvement in quality, productivity and the adoption of cost effective measures by the private corporate sector. Conscious increase in the provision for depreciation would facilitate availability of larger amounts of funds for further investment in the fixed assets. The higher level of depreciation would increase saving rate and also investment rate. Corporate sector need to efficiently manage inventories on one hand and demand for industry's output need to rise from other segments of the economy so as to improve the corporate sector profitability and thereby savings.

(c). Public Sector saving - The public sector savings declined mainly on account of a widening of revenue deficits in the Union and State budgets due to higher order of dissavings of the Government administrative departments. The improvement in public sector savings largely depends upon a turnaround in the current account of the Government sector and enhanced surplus generation by public sector undertakings. A comprehensive review and drastic pruning of the expenditure incurred on subsidies cannot be further postponed. Rationalization in the number of Government employees and their re-deployment need to be expedited. Raising the gross tax to GDP ratio through buoyancy and expansion of the tax base need be given top priority. For stepping up of Government sector saving, it is essential to eliminate the revenue deficit and bring down the gross fiscal deficit to minimal level. This would require strengthening of fiscal correction by means of moderation in expenditure growth and enhancing revenue buoyancy. In the context of savings from public sector enterprises it is necessary to banish doubts in prospects concerning disinvestments and set out a clear path to enable them to design strategies to raise resources. User charges need to be indexed to the increase in input costs.

(d). Foreign saving: A variety of measures to promote FDI needs to be taken. Improvement in infrastructure facilities, addressing the issue of appropriate user charges and the health of state finances as indicated by the recent developments in the power sector, promotion of mergers and acquisitions, privatization of public sector units holds a potential for attracting a higher level of FDI inflows. Labour reforms to allow greater labour market flexibility including an exit policy, legal reforms to bring consistency in laws within country and in line with international standards is necessary. An appropriate competition policy, cutting down procedural delays through decentralization of the implementation process with accompanying state level reforms for quick and easy access to land, public utilities, raw materials and power through changes in legislation should be put in place. It would be necessary to enhance the policy and regulatory framework to facilitate capital flows, especially to infrastructure. In fact, both FDI and ECB could be enhanced but not FII inflows. Debt markets also need to be further strengthened. These changes in the policy and regulatory framework are essential to avoid stress on reserves.

Annexure
Sub-Groups of the Working Group

Sub-Group on Household Sector Saving

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<u>Selected Tables</u>

Table 1 - Trends in Gross Domestic Saving as a per cent of GDP

No.	Year	House-hold Sector	Private Corporate Sector	Public Sector	Gross Domestic Saving
1	1950-51	6.2	0.9	1.8	8.9
2	1951-52	5.5	1.3	2.5	9.3
3	1952-53	6.1	0.6	1.5	8.2
4	1953-54	5.8	0.8	1.3	7.9
5	1954-55	6.7	1.1	1.6	9.4
6	1955-56	9.6	1.2	1.7	12.5
7	1956-57	9.1	1.2	1.9	12.2
8	1957-58	7.5	0.9	2.0	10.4
9	1958-59	6.8	0.9	1.7	9.4
10	1959-60	8.3	1.2	1.7	11.2
11	1960-61	7.3	1.6	2.6	11.6
12	1961-62	7.0	1.8	2.9	11.7
13	1962-63	7.8	1.8	3.1	12.7
14	1963-64	7.2	1.8	3.3	12.3
15	1964-65	7.2	1.5	3.3	12.0
16	1965-66	9.4	1.5	3.1	14.0
17	1966-67	10.3	1.4	2.3	14.0
18	1967-68	8.8	1.1	2.0	11.9
19	1968-69	8.6	1.1	2.4	12.1
20	1969-70	10.4	1.3	2.6	14.3
21	1970-71	10.1	1.5	2.9	14.5
22	1971-72	10.7	1.6	2.8	15.1
23	1972-73	10.4	1.5	2.7	14.6
24	1973-74	12.2	1.7	2.9	16.8
25	1974-75	10.4	1.9	3.7	16.0
26	1975-76	11.7	1.3	4.2	17.2
27	1976-77	13.2	1.3	4.9	19.4
28	1977-78	14.1	1.4	4.3	19.8
29	1978-79	15.4	1.5	4.5	21.4
30	1979-80	13.8	2.0	4.3	20.1
31	1980-81	13.8	1.6	3.4	18.8
32	1981-82	12.6	1.5	4.5	18.6
33	1982-83	12.3	1.6	4.3	18.2
34	1983-84	12.8	1.5	3.3	17.6
35	1984-85	14.3	1.6	2.8	18.7
36	1985-86	14.3	2.0	3.2	19.5
37	1986-87	14.5	1.7	2.7	18.9
38	1987-88	16.7	1.7	2.2	20.6
39	1988-89	16.8	2.0	2.1	20.9
40	1989-90	17.9	2.4	1.7	22.0
41	1990-91	19.3	2.7	1.1	23.1
42	1991-92	17.0	3.1	2.0	22.1
43	1992-93	17.5	2.7	1.6	21.8
44	1993-94	18.4	3.5	0.6	22.5
45	1994-95	19.7	3.5	1.7	24.9
46	1995-96	18.1	4.9	2.0	25.0
47	1996-97	17.0	4.5	1.7	23.2
48	1997-98	17.8	4.2	1.5	23.5
49	1998-99	19.1	3.7	-0.8	22.0
50	1999-00	19.8	3.7	-1.2	22.3

Source : The Economic Survey, Government of India

Table 2 - Trends in Average Gross Domestic Saving

Decade	House-hold Sector	Private CorporateSector	Public Sector	Gross Domestic Saving
Fifties	7.2	1.0	1.8	9.9
Sixties	8.4	1.5	2.8	12.7
Seventies	12.2	1.6	3.7	17.5
Eighties	14.6	1.8	3.0	19.4
Nineties	18.4	3.7	1.0	23.0

Source : Compiled from Economic Survey, Government of India

Table 3 - Trends in Average GDS and GDCF

Plan Period	GDS	GDCF
First Plan (1951-52 to 1955-56)	9.46	9.50
Second Plan (1956-57 to 1960-61)	10.96	12.10
Third Plan (1961-62 to 1965-66)	12.54	14.14
Fourth Plan (1969-70 to 1973-74)	15.06	14.40
Fifth Plan (1974-75 to 1978-79)	18.76	16.48
Sixth Plan (1980-81 to 1984-85)	18.38	19.02
Seventh Plan (1985-86 to 1989-90)	20.38	21.44
Eighth Plan (1992-93 to 1996-97)	23.48	22.60
Ninth Plan (1997-98 to 2001-02)	23.20	22.32

Source : Compiled from Economic Survey, Government of India

Table 4 - Composition of Gross Domestic Saving

(per cent)

Item	1970-71 to 1974-75	1975-76 to 1979-80	1980-81 to 1984-85	1985-86 to 1992-93	1993-94 to 1998-99
1	2	3	4	5	6
Household Sector	72.1	71.5	72.6	79.4	77.8
Financial Saving	23.7	26.9	34.9	38.8	44.5
Currency	5.1	4.7	5.7	5.5	5.3
Net Deposits	8.1	10.0	11.3	9.8	16.3
Shares and Debentures	0.8	0.9	2.1	5.8	3.9
Net Claims on Govt.	-0.6	1.7	4.5	4.9	4.6
Life Insurance Funds	2.9	2.7	3.2	3.9	4.9
Provident and Pension Funds	7.4	6.9	8.0	9.0	9.6
Saving in Physical Assets	48.4	44.6	37.8	40.6	33.3
Private Corporate Sector	10.1	7.3	8.4	10.9	17.1
Public Sector	17.9	21.2	19.0	9.7	5.1
Gross Domestic Saving	100.0	100.0	100.0	100.0	100.0

Data for the period 1980-81 to 1992-93 are from 1980-81 series and for the period 1993-94 to 1997-98 are from 1993-94 series. Source : Report on Currency and Finance, RBI.

Table 5: Household Saving Rate: Summary of Projections for the Tenth Five Year Plan, 2002-07

(per cent)

Group/Instrument	Annual Average Actual Estimate for 1997 to 2000	Projections-I for 2002-07 (6.5% GDP Growth)	Projection-II for 2002-07 (8.0% GDP Growth)
A. Gross Financial Saving	**12.0**	**13.5**	**13.7**
1. Currency and Deposits (a+b)	6.1	6.1	6.4
(a) Currency	1.1	1.0	1.1
(b) Deposits (i + ii)	5.0	5.1	5.3
i) Bank	4.6	4.7	4.8
Ii) Non-bank	0.4	0.4	0.5
2. Capital Market Related	0.5	0.8	0.9
3. Contractual	3.9	5.1	5.0
a) Life Insurance Fund	1.4	1.7	1.7
b) Provident and Pension Fund	2.5	3.4	3.3
4. Others (a+b)	1.5	1.4	1.5
a) Claims on Government	1.5	1.4	1.6
b) Trade Debt (net)	Neg	Neg	Neg
B. Financial Liabilities	**1.6**	**2.1**	**2.2**
C. Net Financial Savings (A-B)	**10.4**	**11.4**	**11.5**
D. Physical Savings	**8.5**	**8.3**	**8.4**
E. Total Savings (C+D)	**18.9**	**19.7**	**19.9**

Neg.: Negligible

Notes: (1) Rates are as percentage of Gross Domestic Product at current market prices.
(2) Sub-totals of the rates may not add up to total because of the rounding off.

Table 6 : Projections for the Tenth Plan Period: Saving and Capital Formation of Private Corporate Sector using Ratio Method of Estimation for Non-Financial Companies (At Current Prices)

Scenario-I: GDP growth rate at 6.0 per cent and Inflation at 5.0 per cent (Rs. Crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	Total Plan Period
Selected Ratios (per cent)						
1. Ratio of Gross Saving to GDP at Market Price (current prices)	5.47	5.50	5.52	5.55	5.57	5.53
2. Ratio of Gross Capital Formation to GDP at Market Price (current prices)	7.83	7.78	8.47	8.50	8.54	8.27
3. Ratio of Gross Saving to Gross Capital Formation	69.90	70.69	65.26	65.26	65.24	66.87

Scenario-II: GDP growth rate at 8.0 per cent and Inflation at 5.0 per cent (Rs. Crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	Total Plan Period
Selected Ratios (per cent)						
1. Ratio of Gross Saving to GDP at Market Price (current prices)	5.51	5.51	5.52	5.52	5.52	5.51
2. Ratio of Gross Capital Formation to GDP at Market Price (current prices)	8.68	8.55	9.17	9.15	9.12	8.97
3. Ratio of Gross Saving to Gross Capital Formation	63.46	64.43	60.15	60.33	60.49	61.48

Table 8: Projections for Current Account Deficit (CAD) for the Tenth Plan

Item	2002-03	2003-04	2004-05	2005-06	2006-07
Baseline Scenario					
CAD(US $ mn.)	4480	4582	6234	6526	8831
CAD/ GDP in per cent	0.8	0.8	0.9	0.9	1.1
Policy Induced Scenario					
CAD(US $ mn.)	6798	10706	18174	26336	39828
CAD/ GDP in per cent	1.2	1.8	2.7	3.6	4.9

TABLE : CENTRAL GOVERNMENT FINANCES AT 6.5 PER CENT GROWTH

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Plan Average
Budget support to Plan (COP)							
(% of GDP)	4.09%	4.11%	4.13%	4.16%	4.18%	4.21%	4.17%
Total expenditure							
(% of GDP)	15.31%	15.17%	15.04%	14.92%	14.82%	14.73%	14.91%
Total non-debt receipts							
(% of GDP)	10.59%	10.56%	10.57%	10.62%	10.67%	10.73%	10.64%
Fiscal Deficit							
(% of GDP)	4.57%	4.45%	4.31%	4.15%	3.99%	3.83%	4.11%
Revenue Deficit							
(% of GDP)	3.07%	2.86%	2.73%	2.54%	2.35%	2.16%	2.49%

TABLE : CENTRAL GOVERNMENT FINANCES AT 8.0 PER CENT GROWTH

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Plan Average
Budget support to Plan (COP)							
(% of GDP)	4.09%	4.16%	4.33%	4.49%	4.67%	5.00%	4.53%
Total expenditure							
(% of GDP)	15.01%	14.70%	14.43%	14.06%	13.69%	13.45%	14.07%
Total non-debt receipts							
(% of GDP)	10.58%	10.91%	11.16%	11.30%	11.49%	11.71%	11.32%
Fiscal Deficit							
(% of GDP)	4.27%	3.63%	3.11%	2.61%	2.05%	1.59%	2.60%
Revenue Deficit							
(% of GDP)	2.76%	2.21%	1.70%	1.00%	0.20%	-0.46%	0.93%

TABLE : STATE FINANCES AT 6.5 PER CENT GROWTH

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Plan Average
Total expenditure							
(% of GDP)	15.22%	15.29%	15.28%	15.26%	15.23%	15.20%	15.25%
Gross borrowings							
(% of GDP)	4.42%	4.32%	4.31%	4.30%	4.26%	4.20%	4.27%
Gross Fiscal Deficit							
(% of GDP)	3.82%	3.69%	3.65%	3.61%	3.54%	3.44%	3.57%
Revenue Deficit							
(% of GDP)	1.81%	1.67%	1.62%	1.57%	1.48%	1.38%	1.53%

TABLE : STATE FINANCES AT 8.0 PER CENT GROWTH

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Plan Average
Total expenditure							
(% of GDP)	15.22%	15.29%	15.15%	14.88%	14.54%	14.16%	14.73%
Gross borrowings							
(% of GDP)	4.42%	3.69%	3.32%	2.83%	2.20%	1.44%	2.55%
Gross Fiscal Deficit							
(% of GDP)	3.82%	3.06%	2.67%	2.15%	1.51%	0.74%	1.88%
Revenue Deficit							
(% of GDP)	1.81%	1.22%	0.75%	0.16%	-0.56%	-1.41%	-0.14%

Table 10: Inflows of Foreign Savings –Projections for Tenth Plan
Baseline Scenario with GDP growth rate of 6.5 per cent
(as percentage of GDP)

	2002-03	2003-04	2004-05	2005-06	2006-07	Average
External Assistance	0.11	0.08	0.06	0.05	0.01	0.06
Commercial Borrowing	0.23	-0.58	0.41	-0.56	0.58	0.02
IMF	0	0	0	0	0	0
Non-Resident Deposits	0.31	0.34	0.32	0.33	0.31	0.32
Foreign Investment Flows	0.97	1.15	1.30	1.43	1.53	1.27
DFI	0.52	0.56	0.59	0.61	0.63	0.58
Portfolio	0.45	0.59	0.71	0.82	0.91	0.69
Other Capital Flows	0.13	0.13	0.12	0.11	0.10	0.12
Capital Account Total (Net)	1.65	1.01	2.11	1.28	2.46	1.70

Table 11: Inflows of Foreign Savings –Projections for Tenth Plan
Alternative Scenario with GDP growth rate of 8.0 per cent
(as percentage of GDP)

	2002-03	2003-04	2004-05	2005-06	2006-07	Average
External Assistance	0.20	0.16	0.21	0.19	0.20	0.19
Commercial Borrowing	0.29	-0.40	0.49	-0.53	0.57	0.08
IMF	0	0	0	0	0	0
Non-Resident Deposits	0.40	0.41	0.38	0.39	0.36	0.39
Foreign Investment Flows	1.15	1.33	1.49	1.61	1.70	1.46
DFI	0.53	0.60	0.65	0.70	0.73	0.64
Portfolio	0.62	0.74	0.83	0.91	0.98	0.82
Other Capital Flows	0.18	0.16	0.15	0.14	0.13	0.15
Capital Account Total (Net)	2.11	1.57	2.63	1.71	2.89	2.18

Table 12: Small Savings: Gross, Net and Outstanding

(Per cent of GDP)

Year	Household Savings	Small Savings		
		Gross	Net	Outstanding
1970-71	10.1	1.7	0.4	4.8
1974-75	10.4	1.7	0.4	4.6
1980-81	13.8	2.3	0.8	5.7
1984-85	14.3	2.9	1.3	7.2
1990-91	19.3	3.3	1.6	9.3
1995-96	18.1	3.1	1.1	8.7
1999-2000	19.8	3.9	1.8	10.8

Source: Central Statistical Organisation and Budget documents, GOI.

Table 13: Deposit Mobilisation Under Various Schemes

(Outstanding as on End-March) (Rs. crore)

Scheme	1991	1999
Kisan Vikas Parta	9,514 (26.2)	67,214 (38.7)
National Savings Certificate-VIII	3,135 (8.6)	25,831 (14.9)
Post Office Monthly Income Scheme	2,340 (6.4)	20,293 (11.7)
Indira Vikas Patra (discontinued)	8,709 (24.0)	12,430 (7.1)
Post Office Recurring Deposits Account	2,638 (7.3)	11,139 (6.4)
Post Office Savings Account	4,205 (11.6)	7,650 (4.4)
Post Office Time Deposit Account	2,973 (8.2)	4,219 (2.4)
National Savings Scheme 1992	-	820 (0.5)
Public Provident Fund	2,799 (7.7)	24,264 (14.0)
Total	**36,313**	**1,73,860**

Note: Figures in bracket are percentages to total