CHAPTER - V

SUMMARY
CONCLUSIONS
AND
SUGGESTIONS
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SUMMARY, CONCLUSIONS AND SUGGESTIONS

This chapter has been divided into two parts. In the first part, summary of the study and main conclusions are presented while the second part is related to main suggestions.

Part A : Summary

Introduction:

Public debt is the debt which state owes to its subjects or to the nationals of other countries. Public debt arises due to borrowing by the government. The Government may borrow from banks, business organizations, business houses and individuals.

According to Taylor, "The debt is in the form of promises by the treasury to pay to the holders of these promises a principal sum and in most instances interest on that principal."¹

Government obligations can be of various types: Major forms of the obligations of the Central Government may be classified as follows:

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Although, except public debt, 'other liabilities' are also the obligations of the Central Government and should not be separated from the public debt of Central Government. But, this classification is justified on the ground that while public debt obligations are to be met out of the Consolidated Fund of India, other liabilities are to be met out of the Public Account Fund of India.

In under-developed countries one of the tasks foremost to the Government is to stimulate the growth of the economy with stability. Capital formation or mobilization of financial resources is fundamental to the whole problem of economic development. Prof. Ursula K. Hicks observed, "choosing the appropriate methods of finance cannot make a bad plan good, but it can make it better. Using the wrong methods can wreck even the best of plans." Therefore selection of appropriate method of financing developmental plan is very important for the success of development plans. "Financial aspects are as important as the other aspects of economic development and their study should receive proper attention."

According to the 'Big push' argument and the 'Critical minimum effort thesis, sufficiently large investment is necessary in the early stages of development to launch the economy into self-sustaining growth. But, in an developing economy like India, there are many difficulties in the mobilization of resources.

For domestic home resources, the Government cannot rely entirely upon tax revenues, surpluses of public enterprises and deficit financing. These sources of finance have to be supplemented by borrowing from the banks,
business organizations, business houses and individuals. Domestic borrowing not only supplies a considerable part of financial requirements for investment in the Five Year Plans, but also contributes to the growth of money and capital markets and provides the necessary institutional framework for the effective implementation of monetary policy.

Plan of the Study

The present study has been divided into five chapters.

The first and the opening chapter is the introductory chapter, which discusses the meaning, importance, main objectives and the research methodology of the study. This chapter also deals with the importance of internal public debt in financing economic development.

Second chapter presents a brief survey of relevant literature. Magnitude of variability and trends in different heads of internal public debt of Central Government have been analysed in third chapter. In this chapter an attempt has also been made to find the impact of internal public debt on economic development.

In the fourth chapter, an attempt has been made to find out the burden of internal public debt.

Fifth chapter which is the last chapter gives summary, main findings and suggestions of the study.

Objectives of the Study:

Main objectives of the present study are:
A. To find out the trends and variability in different heads of internal public debt of Central Government.

B. To analyse the structural change in the internal public debt of Central Government during the period 1970-71 to 1999-2000.

C. To find out the impact of domestic borrowing on the economic development.

D. To analyse the burden of internal public debt of Central Government.

E. To present some valuable suggestions regarding the present study.

Study Period

The study covers a period of 30 years i.e. from 1970-71 to 1999-2000.

Limitation of the Study

Since the study covers a period of 30 years, i.e. from 1970-71 to 1999-2000, but due to non-availability of data for treasury bills, compensation and other bonds, special floating and other loans and special securities issued to R.B.I. for the year 1999-2000, study of the above four heads are taken up to the year 1998-99.

Research Methodology:

A. Collection of data: The present study is based on secondary data collection. The time series data is collected mainly from various issues of R.B.I. Bulletins, Reports on Currency and Finance, Economic Survey and the Budgets of Central Government.

B. Analysis of data: Various statistical tools have been used to fulfil the objectives set-fourth in this inquiry. These are described as:
i) **Growth of internal public debt at constant prices**: The growth of public debt in money terms does not give the real picture, as there are, 'permanent influences' that affect such growth. These influences are 'population' and 'price changes'. Thus in the present study, the growth of public debt is measured both at current and constant prices.

ii) **Coefficient of Variation**: Magnitude of variability in the public debt and its different heads has been measured with the help of coefficient of variation.

iii) **Compound growth rate**: Exponential growth rates of public debt and its different heads have been computed to study the trend pattern.

iv) To analyse the significance of growth of public debt null hypothesis is formed.

**Null Hypothesis**: The growth in public debt in the period under review is statistically not significant.

To test the significance of growth of public debt, student's 't' test is used.

v) **Multiple Regression Analysis**: A quantitative estimate has been made to analyse the effect of internal public debt and tax revenues on economic development. For this purpose a multiple regression model has fitted to show the behaviour of NNP at factor cost as a function of internal public debt and tax revenues (net).

To find the significance of impact of independent variables on dependent variable, standard error of estimate is calculated.
For the analysis of data, the whole study period has been divided into three sub-periods.

These are:
1. 1970-71 to 1979-80 (First Period)
2. 1980-81 to 1989-90 (Second Period)
3. 1990-91 to 1999-2000 (Third Period)

Besides the above three sub-periods, growth and trends have also measured for the overall period (i.e. from 1970-71 to 1999-2000)

CONCLUSIONS

The main conclusions of the present study are as follows:

Growth and Variability in Total Liabilities

Total liabilities of Central Government includes internal debt, external debt and other outstanding liabilities. The total liabilities of the Central Government at, current prices recorded a percentage increase of 152.79 percent during the first period of study, 348.86 percent during the second period of study and 224.59 percent during the third period of study. During the overall period (i.e. from 1970-71 to 1999-2000), total liabilities has increased by 5040.09 percent.

If the price effect is eliminated, total liabilities recorded a percentage increase of 16.17 percent during the first decade, 206.43 percent during the second decade and 29.72 percent during the third decade of study. During the overall period in real terms, total liabilities has increased only by 394.28 percent.
Compound Growth Rates:

During the period from 1970-71 to 1999-2000, in money terms, the compound growth rate in total liabilities has been found 15.66 percent per annum. When the growth of total liabilities was studied in different decades, it was found that it has grown at a higher rate (18.54 percent per annum) in second period of study as compared to the rates of growth of first and third period of study which were 10.82% per annum and 13.93% per annum respectively. All the growth rates were found statistically significant at 1% level of probability.

In real terms, the overall rate of growth in total liabilities has been found 7.36 percent per annum. It was also found that in real terms, total liabilities has grown at a faster rate (12.53% per annum) in second period of study as compared to the rates of growth of first and third period of study, which were 1.81% per annum and 2.55% per annum respectively. Even at constant prices all the growth rates were found statistically highly significant.

Coefficient of Variation:

In the first period of study, at current prices coefficient of variation in total liabilities of Central Government was found 32.5894 percent, in second period of study it was found 50.1533 percent, in third period of study coefficient of variation was found 38.67636 percent and in overall period of study (i.e. from 1970-71 to 1999-2000) coefficient of variation in total liabilities was found 110.8624 percent.

The values of coefficient of variation shows that variability in total

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liabilities was less when the growth of total liabilities is measured in real terms. In the first period of study at constant prices, coefficient of variation was found 13.009 percent, in second period of study coefficient of variation was found 33.9859 percent and in third period of study it was found 9.2403 percent. During the period from 1970-71 to 1999-2000, variability in total liabilities at constant prices was found 57.4769 percent.

Growth and Variability in Internal Public Debt:

Internal public debt of Central Government includes market borrowings, treasury bills, compensation and other bonds special floating and other loans and special securities issued to the R.B.I. Internal debt which is the part of public debt is to be met out of the Consolidated Fund of India. The internal public debt of the Central Government, at current prices recorded a percentage increase of 217.36 percent during the first period of study, 331.55 percent during the second period of study and 363.79 percent during the third period of study. During the overall period, internal debt has increased by 9220.81 percent.

If the price effect is eliminated, internal debt recorded a percentage increase of 45.84 percent during the first decade 194.61 percent during the second decade and 85.35 percent during the third decade of study. During the overall period at constant prices it increased by 796.31 percent.

Compound Growth Rates:

During the period from 1970-71 to 1999-2000, in money terms, the compound growth rate in internal debt has been found 16.65 percent.
per annum. But when the growth of internal debt was studied in different decades, it was found that it has grown at a higher rate (17.67% per annum) in second period of study as compared to the rates of growth of first and third period of study which were 13.20 percent per annum and 16.48 percent per annum respectively. All the growth rates were found statistically significant at 1% level of probability.

In real terms, the overall rate of growth in internal public debt has been found 8.28 percent per annum. It was also found that in real terms internal debt has grown at a faster rate (11.71% per annum) in second period of study as compared to the rates of growth of first and third period of study which were 4.00 percent per annum and 4.85 percent per annum respectively. Even at constant prices all the growth rates in internal public debt found statistically highly significant.

**Coefficient of variation:**

The values of coefficient of variation (at current prices) shows that variability in internal debt in third period of study was higher (51.4762%) when it is compared with first period of study (38.3551%) and second period of study (47.6256%). Internal debt shows higher variation (121.730%) during the overall period of study.

Variability in internal public debt was found very less when the growth of internal debt was measured in real terms. In the first, second and third period of studies, at constant prices coefficient of variation was found 16.1789 percent, 31.7093 percent and 20.7489 percent respectively. During the period from 1970-71 to 1999-2000, variability in internal public debt is found 63.6278 percent.
Growth and Variability in Other Outstanding Liabilities:

Although other outstanding liabilities are also the obligations of the Central Government but they are to be met out of the Public Account Fund of India. It includes small savings scheme, Provident funds etc., and Reserve funds and deposits. The other outstanding liabilities of the Central Government, at current prices recorded a percentage increase of 178.73 percent during the first period of study, 488.45 percent during the second period of study and 92.47 percent during the third period of study. During the overall period, other outstanding liabilities has increased by 4244.61 percent.

At constant prices, other outstanding liabilities recorded a percentage increase of 28.09 percent during the first decade, 301.73 percent during the second decade and -23.08 percent during the third decade of study. During the overall period, in real terms, other outstanding liabilities has increased by 317.79 percent.

Compound Growth Rates:

During the period from 1970-71 to 1999-2000, in money terms, the compound growth rate in other outstanding liabilities of Central Government has been found 17.07 percent per annum. When the growth of other outstanding liabilities was studied in different decades of study period, it was found that it has grown at a higher rate (23.07% per annum) in second period of study as compared to the rates of growth of first and third period of study, which were 12.43 percent per annum and 11.20 percent per annum respectively. All the growth rates were found statistically significant at 1% level of probability.
In real terms, the overall rate of growth in other outstanding liabilities has been found 8.67 percent per annum. It was also found that in real terms outstanding liabilities has grown at a faster rate (16.83 % per annum) in second period of study, as compared to the rates of growth of first and third period of study, which were 3.29 % per annum and 0.11 percent per annum respectively. Even at constant prices, all the growth rates in other outstanding liabilities were found statistically highly significant.

**Coefficient of Variation :**

The values of coefficient of variation (at current prices) shows that variability in other outstanding liabilities in second period of study is higher (60.5098%) when it is compared with first period of study (36.8438%) and third period of study (34.8521%). Other outstanding liabilities shows higher variation (112.2639%) during the overall period of study.

Variability in other outstanding liabilities was found very less when the growth of it was measured in real terms. In the first, second and third period of study at constant prices coefficient of variation was found 15.9042 percent, 44.5439 percent and 13.1107 percent respectively. During the period from 1970-71 to 1999-2000 variability in other outstanding liabilities was found 66.5758 percent.

**Percentage Share of Different Heads of Total Liabilities :**

The percentage share of internal public debt in total liabilities was higher when it was compared with the external debt and other outstanding liabilities. In the year 1970-71, the share of internal public debt to total liabilities was 38.58 percent which increased to 69.96 percent in 1999-2000.
During the same period, the percentage share of external debt has decreased from 32.65 percent in 1970-71 to 5.72 percent in 1999-2000. The percentage share of other outstanding liabilities shows the same trend and its share has decreased from 28.77 percent in 1970-71 to 24.32 percent in 1999-2000.

Growth and Variability in Market Borrowings:

Market borrowings consist of two kinds of obligations (a) market loans; these are generally term loans and dated loans and form a major portion of the internal debt. (b) market loans in course of repayment; they are very similar to the market loans but it points out the proportion of currency which has been re-invested. In money terms, market borrowings of the Central Government has increased by 192.59 percent during the first decade, 299.12 percent during the second decade and 404.29 percent during the third decade of study. During the overall period of study market borrowings has increased by 7911.30 percent.

If the price effect is eliminated, market borrowings recorded a percentage increase of 34.47 percent during the first decade, 172.49 percent during the second decade and 59.99 percent during the third decade of study period. During the overall period of study, at constant prices, market borrowings has increased by 511.57 percent.

Compound Growth Rates:

During the period from 1970-71 to 1999-2000, in money terms, the compound growth rate in market borrowings has been found 16.32 percent per annum. When the growth of market borrowings was studied in
different decades, it was found that it has grown at a higher rate (20.13% per annum) in third period of study as compared to the rates of growth of first and second period of study, which are 12.14% per annum and 16.54% percent per annum respectively. All the growth rates were found statistically significant at 1% level of probability.

In real terms, the overall rate of growth in market borrowings has been found 7.89 percent per annum. It was also found that in real terms market borrowings has grown at a faster rate (10.04% per annum) in second period of study as compared to the rates of growth of first and third period of study, which were found 3.02 % per annum and 7.00 % per annum respectively. Even at constant prices all the growth rates were found statistically highly significant.

Coefficient of Variation :

The values of coefficient of variation (at current prices) shows that variability in market borrowings in third period of study was higher (47.9668%) when it was compared with first period of study (37.2141%) and second period of study (44.5951%). Market borrowings shows higher variation (118.33%) during the overall period of study.

Variability in market borrowings was found very less when the growth of market borrowings was measured in real terms. In the first, second and third period of study, at constant prices, coefficient of variation in market borrowings were found 15.9561 percent, 28.7572 percent and 19.9153 percent respectively. During the overall period variability in market borrowings was found 60.5072 percent.

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Growth and Variability in Treasury Bills:

Treasury bills which are the most short-term issues of the Government enable the government to bridge the gap between revenue and expenditure. They are generally issued for a period of 90 or 91 days. They take on a high degree of liquidity can normally be sold at considerably lower rates of interest than long-term bonds and can be converted into cash without the owner incurring losses. Treasury bills, at current prices recorded a percentage increase of 305.25 percent during the first period of study, 101.99 percent during the second period of study and 185.15 percent during the third period of study. During the period from 1970-71 to 1998-99 treasury bills has increased by 810.17 percent.

If the price effect is eliminated treasury bills has recorded a percentage increase of 86.25 percent during the first period, 37.88 percent during the second period and 17.64 percent during the third period of study. But during the period from 1970-71 to 1998-99, in real terms, treasury bills has decreased by 9.62 percent.

Compound Growth Rates:

During the period from 1970-71 to 1998-99, in money terms, the compound growth rate in treasury bills has been found 9.14 percent per annum. When the growth of treasury bills was studied in different sub periods of study, it was found that it has grown at a higher rate (15.87 percent per annum) in first period of study as compared to the rates of growth of second and third period of study, which were 3.71 percent per annum and 13.54 percent per annum respectively. Except in third period of study, the growth rates were found statistically significant in all other periods.
In real terms the overall rate of growth in treasury bills has been found 1.41 percent per annum. When the growth of treasury bills was studied in different sub-periods it revealed that it has grown 6.46 percent per annum in first period while second period showed negative trend (-1.54 percent per annum) and in third period it again showed positive trend (1.96 percent per annum).

**Coefficient of Variation**:

In the first period of study (at current prices) coefficient of variation in treasury bills of Central Government was found 44.1086 percent while in second and third period it was found 35.2572 percent and 55.5541 percent respectively. Study of overall period showed 83.8093 percent variability.

While at constant prices in first period of study coefficient of variation was found 22.4547 percent, in second period 32.1128 percent and in third period of study it was found 53.4833 percent. Study of overall period showed 44.2988 percent variability.

**Growth and Variability in Compensation and other Bonds**:

Government has issued from time to time various kinds of compensation bonds in the open market which are of long term nature. For example Capital Investment Bonds, National Rural Development Bonds and loans raised at the time of the nationalization of commercial banks etc. In money terms the compensation and other bonds has increased by 5870.11 percent during the overall period of study. But when the growth of compensation and other bonds was studied in different sub-periods., it recorded a percentage decrease of 24.14 percent during the first period.
while in second and third period it recorded a percentage increase of 628.30 percent and 198.68 percent respectively.

In real terms it decreased by 51.61 percent during the first period of study. But in second and third period of study it recorded a percentage increase of 400.00 percent and 23.44 percent respectively. During the overall period of study it has increased by 732.26 percent.

**Compound Growth Rates:**

During the overall period of study in money terms, the compound growth rate in compensation and other bonds has been found 19.51 percent per annum. When the growth of compensation and other bonds was studied in different sub-periods, it was found that it has grown at a higher rate (20.08% per annum) in third period of study as compared to the rate of growth of second period of study which was 12.27 percent per annum. while in first period of study it showed negative trend (-16.24% per annum).

In real terms, the overall rate of growth in compensation and other bonds has been found 11.29 percent per annum. It was also found that it was grown at a faster rate (8.57 percent per annum) in third period of study as compared to the rate of growth of second period of study which was 6.62 percent per annum. While in first period of study it showed negative trend (-21.14 percent per annum) which showed that the decline rate is even faster than in money terms.

Except in third period of study all the growth rates of compensation and other bonds were statistically not significant in money and real terms only in third period of study, it recorded statistically significant growth.
Coefficient of Variation:

The values of coefficient of variation showed that variability in compensation and other bonds (at current prices) in third period of study was higher (54.2145 percent) when it was compared with first and second period of study, which were found 45.6098 percent and 30.1653 percent respectively. Compensation and other bonds showed higher variation (95.7812 percent) during the overall period of study.

In real terms the condition changed drastically, the values of coefficient of variation showed that variability in compensation and other bonds in first period of study was higher (48.4011 percent) when it was compared with second period (31.7965 percent) and third period (28.7238 percent) of study. During the overall period it showed moderate variation (62.3668 percent).

Growth and Variability in Special Floating and other Loans:

Special floating loans represent India's contribution towards share capital to international financial institutions. Non-negotiable, non-interest bearing securities issued to the international financial institutions. The Government has to pay the amount of these securities at the call of these institutions, in his own currency and in this sense it is a kind of short-term loan. Special floating and other loans (at current prices) recorded a percentage increase of 50.35 percent during the first period, 193.83 percent during the second period and 207.58 percent during the third period of study. During the overall period special floating and other loans has increased by 2764.68 percent.
If the price effect is eliminated, it revealed that special floating and other loans has decreased by 30.92 percent during the first period but it recorded a percentage increase of 100.60 percent during the second period and 26.96 percent during the third period of study. During the overall period it has increased by 184.54 percent.

**Compound Growth Rates:**

During the overall period, in money terms, the compound growth rate in special floating and other loans has been found 15.43 percent per annum. When the growth of it was studied in different sub-periods, it was found that it has grown at a higher rate (18.08 percent per annum) in second period of study as compared to the rates of growth of first and third period of study which were 6.51 percent per annum and 12.96 percent per annum respectively.

In real terms, the overall rate of growth in special floating and other loans has been found 7.26 percent per annum. When the growth of it was studied in different sub-periods, it revealed that it has grown negatively (-2.15 percent per annum) in first period while second (12.09 percent per annum) and third (1.44 percent per annum) period showed positive trend.

All the growth rates of special floating and other loans recorded statistically significant growth.

**Coefficient of Variation:**

In the first period of study (at current prices) coefficient of variation in special floating and other loans was found 21.4234 percent while in second
and third period coefficient of variation was found 52.1224 percent and 34.1858 percent respectively. Study of overall period showed 113.7231 percent variability.

While at constant prices in first period of study coefficient of variation was found 15.8499 percent, in second period 36.4932 percent and in third period of study it was found 30.4274 percent. Study of overall period showed 69.0165 percent variability.

Growth and Variability in Special Securities issued to the R.B.I.

The Government also takes loan as a temporary measure from Reserve Bank of India by issuing special securities, which are non-negotiable and non-interest bearing. The Government has to repay the amount of this debt at the call of the R.B.I. Hence, these are short term in nature their maturity period is at the most 12 month or one financial year.

Special securities issued to R.B.I.*, at current prices recorded a percentage increase of 797.34 percent during the period from 1981-82 to 1989-90 and 83.10 percent during the period from 1990-91 to 1998-99. During the overall period it has increased by 2889.44 percent.

If the price effect is eliminated, it recorded a percentage increase of 441.20 percent during the period from 1981-82 to 1989-90, but during the period from 1990-91 to 1998-99 it recorded a percentage decrease of 24.43 percent. During the overall period in real terms it has increased by 574.83 percent.

*It introduced in the year 1982.
Compound Growth Rates:

During the overall period, in money terms, the compound growth rate in special securities issued to R.B.I. has been found 24.58 percent per annum. When the growth of it was studied in different sub-periods, it was found that it has grown at a higher rate (41.77 percent per annum) during 1981-82 to 1989-90 as compared to the rate of growth during 1991 to 1999 that is 6.93 percent per annum.

In real terms, the overall rate of growth in special securities issued to R.B.I. has been found 14.23 percent per annum. Rates of growth during 1981-82 to 1989-90 and 1990-91 to 1998-99 were found 33.15 percent per annum and -3.97 percent per annum respectively.

All the growth rates of special securities issued to R.B.I. recorded statistically significant growth.

Coefficient of Variation:

The values of coefficient of variation showed that variability in special securities issued to the R.B.I. (at current prices) during 1981-82 to 1989-90 was higher (92.3043 percent) when it was compared with the period during 1990-91 to 1998-99 (27.5132 percent). It showed moderate variation (77.6777 percent) during the period 1981-82 to 1998-99.

While at constant prices during 1981-82 to 1989-90 coefficient of variation was found 82.1605 percent, during 1990-91 to 1998-99 it was found 15.6133 percent. Study of overall period showed 56.2829 percent variability.
Growth and Variability in Small Savings Scheme:

To tap the genuine savings of the people and provide capital to the Government without aggravating an inflationary situation in the economy, as such small savings constitute the safest form of borrowing. The Government in India has introduced various small savings schemes from time to time and has been attempting to make these schemes more attractive. Instruments through which small savings are effected are the Post Office Savings Bank Deposits, Cumulative Time Deposits, Post Office Time Deposits, Post Office Recurring Deposits, National Savings Scheme, Post Office Monthly Income Scheme, NSC, Indira Vikas Patra, Kisan Vikas Patra, Deposits Scheme for Retiring Government Employees etc.

The small savings scheme, which is the part of other outstanding liabilities of the Central Government at current prices recorded a percentage increase of 210.32 percent during the first period, 423.96 percent during the second period and 185.13 percent during the third period of study. During the overall period small savings has increased by 6366.77 percent.

During the overall period of study, the compound growth rate in small savings has been found 2.26 percent per annum. This growth rate was found statistically insignificant at 5 percent level of probability.

In the year 1970-71, the share of small savings to total liabilities was 11.12 percent which continuously increased to 13.35 percent in 1980-81, 15.93 percent in 1990-91 and 16.31 percent in the year 1998-99. The compound growth rate in percentage share of small savings to total liabilities was found 1.10 percent per annum, which was found statistically insignificant.
significant at 1% level of probability.

Small savings shows higher variation (113.1083%) during the overall period of Study.

**Growth and Variability in Provident Funds, etc.**

The Central Government has certain outstanding as a result of the Provident Fund Contributions. The transactions under this head relate to (i) State Provident Funds (ii) Public Provident Funds and (iii) Other Accounts. With a view to attracting voluntary savings mainly from the self-employed a Public Provident Funds was instituted and is operated by the Government through the agency of the State Bank of India and its subsidiaries.

Provident funds, etc, which are the part of other outstanding liabilities of the Central Government, at current prices recorded a percentage increase of 217.20 percent during the first period, 657.44 percent during the second period and 228.44 percent during the third period of study. During the overall period it has increased by 10598.97 percent.

During the overall period of study the compound growth rate in provident funds etc. has been found 21.12 percent per annum, which was found statistically significant at 1% level of probability.

Provident funds etc shows higher variation (128.9577 percent) during the overall period of study.

In the year 1970-71, the share of provident funds to total liabilities was 8.81 percent which continuously increased to 10.00 percent in 1980-81.
18.12 percent in 1990-91 and 21.38 percent in the year 1998-99. The compound growth rate in percentage share of provident funds to total liabilities was found 4.71 percent per annum, which was found statistically significant at 1 percent level of probability.

Growth and Variability in Reserve Funds and Deposits:

They consist of deposits under the Income Tax Annuity Deposits Schemes and deposits under the Special Deposits Scheme, depreciation and other interest bearing reserve funds of departments like Railways, Post and Telegraphs. Besides, it also consists of deposits of Local Funds and civil deposits and unclaimed balance of old loans which have ceased to bear interest from the date of discharge.

Reserve funds and deposits which are also the part of other outstanding liabilities of the Central Government, at current prices recorded a percentage increase of 96.07 percent during the first period, 439.16 percent during the second and 99.43 percent during the third period of study. During the overall period of study it has increased by 2388.33 percent.

During the overall period of study the compound growth rate in reserve funds and deposits has been found 13.35 percent per annum, which was found statistically significant at 1 percent level of probability.

Reserve funds and deposits shows higher variation (91.6349 percent) during the overall period of study.

In the year 1970-71 the share of reserve funds and deposits to total liabilities of Central Government was 8.84 percent which decreased to
6.08 percent in 1980-81 and 4.99 percent in the year 1998-99. The compound growth rate in percentage share of reserve funds and deposits to total liabilities was found -2.01 percent per annum, which was found statistically significant at 1 percent level of probability.

**Percentage Share of Different Heads of Internal Debt**:  

It is also found that the percentage share of market borrowings to total internal debt is higher when it is compared with the other heads of the internal debt. In the year 1970-71 the share of market borrowings to total internal debt was 57.97 percent, although during the study period this share shows ups and downs but finally it increased to 61.51 percent in 1998-99. During the same period, the percentage share of treasury bills has decreased from 32.83 percent in 1970-71 to 5.15 percent in 1998-99. The percentage of special floating and other loans shows the same trend and its share has decreased from 9.20 percent in 1970-71 to 4.54 percent in 1998-99. While the share of compensation and other bonds\(^a\) increased from 0.78 percent in 1973-74 to 1.17 percent in 1998-99. Special securities issued to the R.B.I.\(^b\) increased from 11.52 percent in 1981-82 to 27.63 percent in 1998-99.

**Burden of Internal Public Debt**:  

The concept of the burden of internal public debt is a complicated issue. To begin with, there is primary gross burden of the public debt also called as the financial burden of the internal debt. Ratio of internal debt to national income, ratio of interest payments to national income, ratio to tax

\(^a\) It introduced in the year 1974.  
\(^b\) It introduced in the year 1982.
revenue and to public expenditure, ratio of interest payments to interest receipts and assets and liabilities of the government are indicators of financial burden.

As for the primary gross burden or financial burden of the internal debt, the ratio of internal debt of Central Government to NNP at F.C. has increased from 19.66 percent in 1970-71 to 26.10 percent in 1980-81, 34.20 percent in 1990-91 and thereafter gradually declined to 31.49 percent in 1996-97 and again reached a peak of 44.91 percent during 1999-2000.

The percentage of interest payments on internal public debt to NNP has consistently increased during the period from 1970-71 to 1999-2000. It was 1.14 percent in 1970-71 and increased to 2.01 percent in 1980-81, 4.37 percent in 1990-91 and further estimated to 5.47 percent in 1999-2000.

The ratio of interest payments on internal debt to aggregate tax revenues of the Central Government has increased from 13.88 percent in 1970-71 to 18.01 percent in 1980-81, 34.19 percent in 1990-91 and further estimated to 51.20 percent in 1999-2000.

It was also found that from 1970-71 to 1973-74 the interest receipts of the Central Government increasingly exceeded the interest payments, but from 1974-75 onwards the interest payments have exceeded the interest receipts. In the year 1999-2000 interest receipts of Central Government was found only 39.23 percent of interest payments.

The percentage of interest payments to total revenue expenditure
has increased from 15.99 percent in 1980-81 to 19.91 percent in 1985-86, 26.36 percent in 1988-89 but it however declined to 25.80 percent in 1990-91, and further increased to 34.40 percent in 1999-2000.

**Statistical Results:**

The correlation coefficients of NNP with internal public debt and tax revenues were 0.982 and 0.994 respectively. Both the coefficients were found highly significant, because their values were more when compared with six times of their probable errors respectively.

The results of multiple regression analysis shows that the impact of internal public debt (x1) and revenue receipts (x2) on NNP (y) during the period from 1970-71 to 1999-2000 was not only positive but highly significant. The functional relationship between independent (x1 & x2) and dependent (y) variables can be established beyond doubts. The value of coefficient of determination (R2) was 0.9904 which shows that there is 99.04 percent variance in NNP due to internal public debt and revenue receipts. The value of regression coefficient of internal public debt (x1) is 0.643926 which indicates that if internal public debt is changed by a unit there will be 0.643926 unit change in NNP.

Thus, the results of correlation coefficient and multiple regression analysis show that NNP and internal public debt are positively correlated, and there is significant impact of internal public debt on NNP. Hence, it can be said, that internal public debt has been a significant factor in promoting the development of the economy.
DISCUSSION:

In India, internal public debt has been incurred with the main objective of enhancing planned investment for economic development. Development planning envisages a rising level of investment on economic and social overhead, human resource development, water and energy, transportation and telecommunications, information technology etc., Since the balance from current revenues has tended to decrease or even become negative and the public sector enterprises are performing rather badly, a heavy reliance is placed on domestic public borrowing.

Internal debt has almost shown a vertical growth during the period under review, it has specially been steep since the early 1980s. Internal public debt increased over 93 times from Rs. 7663 crores in 1970-71 to Rs. 30864 crores in 1980-81, Rs. 154004 crores in 1990-91 and was budgeted at Rs. 714254 cores for 1999-2000.

In the Eighth Plan, balance from current revenues and the investible surpluses of the public sector enterprises both inclusive of additional resource mobilization were to finance merely 42.2 percent of the total public sector investment resulting in greater recourse (46.59 percent of the total plan outlay) to borrowing. During the period from 1970-71 to 1999-2000 there has been a striking increase in different heads of internal debt of Central Government in absolute terms.

But they increase at a slower pace when expressed at constant prices. Prices increased by nearly 10 times during 1970-71 to 1999-2000. Hence, increase in public debt and other liabilities must be attributed partly
to the rise in prices. Although the increase would appear to be really remarkable even in constant prices. The increase in internal public debt evidently shows the Government’s growing reliance on domestic home borrowings as a means of financing its own share of economic development under the various Five-Year Plans.

The experience of Government borrowing from the market in the period under review suggests that the possibilities of positively influencing national income appeared limited in the beginning but gradually improved due to the rise in money incomes following the development plans.

The increasing component of treasury bills in total internal debt upto 1996-97 caused concern because of its inflationary potential; but since then there is a significant reduction thus not adding to the inflationary pressure. Consistent with this goal, the Government of India has signed an agreement with Reserve Bank of India in March 1997, putting an end to the four-decade old system of financing Central Government budget deficit through ad hoc Treasury Bills. A new system of Ways and Means Advances (WMA) with prudential limits has been introduced. The Government has, already committed itself to borrow at market related rates and placing its issues through auctions.

In absolute terms compensation and other bonds has increased continuously but their proportional share in total internal debt was very less, on an average; during the overall period of study it constituted 1.27 percent of total internal debt. Compensation and other bonds are of long term nature whose contribution to total internal debt was very less while special securities
issued to the R.B.I. which are short term in nature form the big portion of total internal debt. This trend can’t be said healthy because it contributed to the growth of money supply and excess demand in the economy, and was inflationary in character.

The realization from the small saving was disappointing but its growth potential seems to have begun unfolding. Planning of new issues on more attractive terms and a stricter application of cost benefit criterion for projects that are financed from borrowing can be expected to exert significant pressure for enlarging the scope for debt management as an developmental tool.

There has been a continuous and rapid increase in internal public debt, but absolute measurement of the burden since the burden of the debt depends not merely on the volume of public borrowing and interest which is required to be paid upon these debts but on the volume of interest and amortization on the one hand and on national income, productivity, tax revenue etc. on the other.

During 1970-71 to 1999-2000 Central Government’s internal public debt grew by 9220.81 percent whereas the national income rose by only 3980.52 percent. So the magnitude of the burden of debt-servicing can said to be increasing relatively. In India though the ratio of internal public debt to national income is comparatively small to that of other countries the rate of growth of public debt is higher from the rate of growth of national income. Thus the main problem is the low rate of growth of national income rather than rapid increase in public debt.
The financial load imposed on the budget is measured by the annual interest payments required. The budgetary burden becomes more meaningful if the percentage of interest payments to national income is taken into consideration, it provides a simple index of the level of tax rates required and the consequent burden on the community. Interest payments on internal obligations significantly increased, contributed both by increase in the volume of public debt and the servicing cost. Interest payments on internal obligations as percentage of NNP increased from 1.14 percent in 1970-71 to 5.47 percent in 1999-2000. So there has been significant increase in the burden of interest payments on internal public debt to NNP. Such steep rise in interest payments may be attributed to the rapidly rising internal public debt to meet the growing need of finance for the development programmes and to periodic increases in the rate of interest.

The Burden of the debt evidently refers to the increase in taxation which is necessary to finance the service charges. The proportion of tax revenue absorbed by debt services, therefore, is an important factor in assessing the burden of public debt. Though there is no direct relationship between interest payments on internal debt to aggregate tax revenues, its ratio can well be an indirect measure of the burden of the domestic public debt. Over the entire period, that is, from 1970-71 to 1999-2000, tax revenues increased by about 53.02 times whereas the interest obligation has increased by more than 195.00 times. The present proportion of tax revenue absorbed by debt services can not be treated as very small. But the more significant point is whether this diversion of fund to debt service is at the cost of useful public expenditure.
The proportion of public expenditure of the Central Government absorbed by interest payment has been rising continuously. But increased payment for debt services has not been at the cost of other expenditure as can easily be seen by a look into the increasing outlay under the successive Five-Year Plans.

From 1970-71 to 1973-74 the interest receipts of the Central Government increasingly exceeded the interest payments of the Central Government. From 1974-75 onwards the interest payments have exceeded the interest receipts. It may give an impression that in the beginning up into 1973-74, interest bill of the Central Government did not constitute any significant burden on the fisc. But from 1974-75 the interest payments exceed their interest earnings and therefore, servicing of the internal debt involves a certain amount of strain on the budget.

Conclusions at this stage are; internal public debt of Central Government increased significantly both in absolute terms and as a percentage of NNP. Interest payments on internal obligations as percentage of total revenue expenditure and as percentage of tax revenue grow to unsustainable levels, particularly when there are no commensurate returns on public spending. The net additional borrowings result in enlarging of gross borrowing requirements and bunching of repayments, it shifts the burden of debt from the current generation to future generation.

A statutory limit apart from removing such deficiencies enhances the credibility of the Government and makes domestic economy more efficient in terms of resources use.\textsuperscript{4}
Despite many criticisms against the public sector enterprises, there is no denying the fact that rapid industrialization was mainly due to the public sector. The experience of the early Five-Year Plans showed clearly that the private sector had inherent handicaps and that it was not suitable for rapid industrial development. Naturally, the Government had to come in a big way to undertake the development of basic infrastructure.

Even after the introduction of economic reforms, private sector investment has not increased as expected and it is being suggested that the public sector should take up the responsibility of infrastructure development. When resources raised through domestic public borrowing are used to finance productive enterprises of various kinds such as construction of roads and railways, irrigation projects, post and telecommunications, steel works, electrical and engineering works etc., they build up the economy’s productive base and in course of time help in increasing the level of output in the economy. Thus, in such a case, domestic public borrowing is not at all burden-some and encourages the process of capital formation which still further increases the productive capacity of economy.

**Part B : SUGGESTIONS**

There are two broad effects of a large size internal public debt. First interest payments as percentage of total expenditure has grown to unsustainable levels in the absence of commensurate return on borrowed funds, cutting into other essential expenditures. Secondly, the net additional borrowing has resulted in ballooning of gross borrowings and bunching of repayments.
The objections against the growing domestic borrowings are:

* The Center has been facing large revenue deficits and the Government has to raise loans to meet it.
* There has been a rapid increase in the short term debt of the Central Government which has ultimately led to increase the money supply and thus generate inflationary pressure.
* The Government has failed to reduce and eliminate its revenue deficit and instead it is reducing its expenditure on capital account which has adversely affected the growth of economy. So the Government has not utilized its debt for increasing its repaying capacity and therefore it has to borrow more and more to service its increasing debt.
* The Government has utilized its borrowings for unproductive purposes i.e., for consumption and not for investment purposes.
* Even when the funds are used for creating productive assets, the output effect is woefully small.
* The debt servicing charges of the Central Government also increased very fast.
* Expected financial contributions from the public sector surpluses has never reached the optimistic estimates.

Till the end of the seventies the Government normally borrowed to finance capital expenditure. This financing scheme was intended to ensure that the cost of borrowing was covered by earnings from investment. In the eighties domestic borrowings were expanded to cover the gaps in both capital and revenue expenditure. This pushed up the cost of debt servicing on account of the fiscal deterioration during the latter half of the eighties.
and economic crisis of 1990-91, the Government of India have placed fiscal consolidation high on the agenda since 1991-92. The Common Minimum Programme announced by the Government in June 1996 has carried forward the fiscal consolidation process by fixing the medium term goal of bringing down the fiscal deficit to GDP ratio to 4 percent. The budgets for recent years have also placed emphasis upon macro economic stability with fiscal prudence as its major element.

As part of financial sector reforms, since June 1992, the RBI has been raising the debt of Central Government at market related rates. New instruments have been floated to provide a variety to investors. With effect from April 1, 1997, a new system of Ways and Means Advances to meet the temporary deficits of Central Government replaced the earlier system of ad hoc Treasury Bills. While the concept of Conventional Budget Deficit has been given up, the possible net RBI credit to Central Government during a year is indicated as part of the budget document.

In the perspective of above economic scenario the following suggestions may be given:

1. The high levels of fiscal deficit have led to steady accumulation of debt, as reflected in the rise in the internal debt-NNP ratio of the Central Government from 19.66 percent in 1970-71 to 44.91 percent in 1999-2000. Till the middle of the 1970's revenues receipts exceeded revenue expenditure resulting in revenue surplus which was use to finance development plans. Since then, however, the revenue expenditure has been rising much faster than revenue receipts resulting in huge deficits in the revenue account.
Some of the reasons of Central revenue deficits are enormous growth of Plan-expenditure, expansion of government machinery, continuous rise in the salaries and dearness allowances of Government servants and the mounting debt-servicing charges. Deficit in the revenue account also implies that the Government has made a habit of living beyond its means and that it is forced to borrow even to meet its consumption expenditure.

The remedy may be that the wages be linked to productivity, expenditure on revenue account be curtailed and growth in non-plan, non-developmental expenditure be controlled. Infact, there is a strong need to develop work culture to increase productivity in various spheres. All possible efforts to improve financial management will be helpful to keep down the budgetary deficit. Once this idea is accepted theoretically, there will be greater discipline in spending and utilization of borrowed funds.

2. The proposed policy paper on the second phase of economic reforms focuses on expenditure control, fiscal and administrative reforms and a big push to infrastructure reforms. Infact, “Expenditure management has been conceived as a major plank for second generation reforms. The core issue in this regard is minimization of wasteful expenditure and reallocation of funds to public goods, basic infrastructure and social welfare. The Fiscal Responsibility Bill and the reports of the Expenditure Reforms Commission are designed to move the expenditure structure in this direction.”

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It recommends a number of measures including dismantling of subsidies, cost-based prices of infrastructure services, a shift from direct Government provision of the services to increasing private sector provision, are pointing to new ways to increase efficiency and expand the services. Therefore it is necessary that subsidies should not only be rationalized but ultimately phased out. "It is necessary to get the Government out of the business of production and enhance its presence and performance in the provision of public goods. Governments, with their elaborate bureaucratic structures, multiple layers of accountability and complex crosschecks, are unsuited to the demands of commercial production in a competitive fast growing economy. This has been recognized in principle and a privatization process has been initiated. Privatization will allow Government’s capital expenditure to be allocated to public goods and basic infrastructure that is not commercially viable. A significant portion of Central capital expenditure could be reallocated this way, if all public sector units producing private goods are sold to the public. The funds received from privatization would also help in reducing the public debt incurred for setting up these units and will put the debt-GDP ratio on a sustainable path.  

3. One of the important cause of growing internal debt and thereby service-charges is the poor performance of public sector enterprises financed by Government loans. The contribution of public sector undertakings towards the development of infrastructure and strategic industries cannot be denied but it suffers from certain loop holes in functioning and structure.  

(289)
By adopting a planned strategy their working can be improved so that they generate sufficient surplus for planned economic development and the tendency of growing borrowings and thereby mounting interest charges could be stopped. The selection of projects would be done on the basis of rational criteria. The public sector enterprises would be induced to formulate and implement projects in a business-like way. The use of resources would be tied down to efficiency in performance. Mobilisation of financial resources would be done on sound business principles. To reduce the misuse of the funds and materials, it becomes the prime duty of the project heads to visit the site regularly and to keep a check on the cheque book records. To avoid 'March-loot', it becomes necessary for the government to convince all the heads of departments and ask them to do routine work in the budget session also.

4. The dis-investment of Government equity in public sector undertakings should work-out rapidly and the funds generated by this process may be used to reduce the debt burden. The main objective of this policy was to reduce the control and to encourage the public undertakings to manage their affairs by pre-decided goals and not by control. Such reforms introduced in this sector will help to generate desired surpluses for the developmental plans.

5. To reduce the dependence of Government on public borrowings it may cut short its expenditure by limiting its area of operation. Government must be rigid to take only the projects related towards development and social welfare.
6. The system of simultaneous net borrowings and repayments out of fresh borrowings followed by the Governments led to an unsustainable level of gross borrowings over the years. This resulted in huge repayment liabilities for the Government with steep humps in repayment schedules. This problem would further aggravate if there are additional net borrowings at an increase rate with shorter maturities in the future. In this background there is an urgent need to create a Consolidated Sinking Fund (CSF). The CSF has the objective of breaking the vicious cycle of humps in repayments schedule and the consequential impact upon ballooning of gross borrowing and the expenditure towards interest payments.

In India, it was not the practice of the Central Government to maintain sinking fund in respect of loans floated by it. There was a system of sinking fund only in respect of the State Governments which was made non-obligatory from April 1975. Consequently such a practice was completely abandoned and repayments are presently provided for out of fresh borrowings.

The Tenth Finance Commission expressed that the establishment of sinking funds appeared to be desirable as a part of overall fiscal discipline and viewed that the constitution of CSF was relevant both for States and the Centre.

7. There should be gradual reduction in Government’s own establishment and consumption expenditure and with time public sector undertakings
should be made self independent. Ultimately the Government will have to reform the whole economic structure in a systematic manner.

8. In order to minimise the harmful effects of growing borrowing suitable debt policy should be adopted. High concentration of the ownership of the domestic borrowings in the hands of the financial institutions (viz. Reserve Bank of India, Commercial and Co-operative Banks) has caused an increase in the money supply, as the bank credit to government sector is a form of deficit financing. The growth of short-term debt too has an inflationary potential.

In developing countries like India to promote development with stability maximum proportion of the domestic borrowings should be in the form of long term-loans and the contributors to the loans should be mostly private institutions and house holds.

9. The Committee on Capital Account Convertibility (CAC) recommended separation of 'debt management' from 'monetary management'. The Report observed that, 'monetary management' is often clouded by the monetary authority's concern about the Government's borrowing programme and, therefore, steps should be initiated to separate the debt management policy from monetary management and to this effect the Government should set up its own Office of Public Debt.8

10. Investment in government securities for private institutions and individuals prove to be rather less profitable as compared to other lines of investment.
Governments loans can be made attractive by reshuffling the interest rate structure according to market conditions and providing other incentive. A proper balance should be made between short-term and long-term securities by offering greater interest on long-term loans.

11. The Government should reduce the scale of borrowing to avoid being caught in a domestic debt trap. "A statutory limit apart from removing such deficiencies enhances the credibility of the Government and makes domestic economy more efficient in terms of resources use."9

12. Public borrowings by the center and the states should be centralized, and used for development purposes only. Each "branch" should be earmarked for a specific project / development area and the progress of the investment made in it should be monitored on a continual basis. The minimum yield and the maximum gestation of investment made should be specified and the Government (Center / state) should be made accountable to the Parliament / Assemblies."10

13. There should also be a national debate on the issue of 'burden of domestic debt' so that a broad consensus is evolved at the national level.

In brief the most efficient use of the scarce economic resource made available through loan finance would depend upon our ability and readiness to apply strictly economic criteria to investment activity, improve their capacity utilization, optimise their inventory levels and improve their operational efficiency through the introduction of modern management
techniques so that the expansionary impulses generated by the Plans are not lost in non-functional subsidization or graft on one kind or another.¹¹ The net economic burden of internal public debt would eventually become nil if we could ensure continued economic growth in the years to come. The solution lies in the reintegration of tax debt and expenditure policy with a view to insure high rate of growth in Indian economy.
### Table 5.1
Growth in Different Heads of Internal Debt
(First Period)

<table>
<thead>
<tr>
<th>Head</th>
<th>At Current Prices</th>
<th>At Constant Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Market Borrowings</td>
<td>12.14 **</td>
<td>3.02 **</td>
</tr>
<tr>
<td></td>
<td>(18.47)</td>
<td>(7.82)</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>15.87 **</td>
<td>6.46 **</td>
</tr>
<tr>
<td></td>
<td>(10.48)</td>
<td>(9.15)</td>
</tr>
<tr>
<td>Compensation and other Bonds</td>
<td>-16.24</td>
<td>-21.14</td>
</tr>
<tr>
<td></td>
<td>(1.05)</td>
<td>(0.99)</td>
</tr>
<tr>
<td>Special Floating and other Loans</td>
<td>6.51 **</td>
<td>-2.15 **</td>
</tr>
<tr>
<td></td>
<td>(11.49)</td>
<td>(6.13)</td>
</tr>
<tr>
<td>Total Internal Debt</td>
<td>13.22 **</td>
<td>4.00 **</td>
</tr>
<tr>
<td></td>
<td>(21.85)</td>
<td>(9.72)</td>
</tr>
</tbody>
</table>

* Indicates the growth rate is significant at 5% level of probability.

** Indicates the growth rate is significant at 1% level of Probability

Bracket values are tc values
Table 5.2
Growth in Different Heads of Internal Debt
(Second Period)

<table>
<thead>
<tr>
<th>Head</th>
<th>At Current Prices</th>
<th>At Constant Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Market Borrowings</td>
<td>16.54 **</td>
<td>10.64 **</td>
</tr>
<tr>
<td></td>
<td>(54.64)</td>
<td>(15.04)</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>3.71 *</td>
<td>-1.54 *</td>
</tr>
<tr>
<td></td>
<td>(2.7)</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Compensation and other Bonds</td>
<td>12.27</td>
<td>6.62</td>
</tr>
<tr>
<td></td>
<td>(2.15)</td>
<td>(1.84)</td>
</tr>
<tr>
<td>Special Floating and other Loans</td>
<td>18.08 **</td>
<td>12.09 **</td>
</tr>
<tr>
<td></td>
<td>(6.56)</td>
<td>(8.29)</td>
</tr>
<tr>
<td>Special Securities issued to the R.B.I.</td>
<td>41.77 *</td>
<td>33.15 *</td>
</tr>
<tr>
<td></td>
<td>(3.15)</td>
<td>(2.96)</td>
</tr>
<tr>
<td>Total Internal Debt</td>
<td>17.67 **</td>
<td>11.71 **</td>
</tr>
<tr>
<td></td>
<td>(32.91)</td>
<td>(14.57)</td>
</tr>
</tbody>
</table>

* Indicates the growth rate is significant at 5% level of probability.

** Indicates the growth rate is significant at 1% level of Probability

Bracket values are to values
Table 5.3
Growth in Different Heads of Internal Debt
(Third Period)

<table>
<thead>
<tr>
<th>Head</th>
<th>At Current Prices</th>
<th>At Constant Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Market Borrowings</td>
<td>19.15 **</td>
<td>7.00 **</td>
</tr>
<tr>
<td></td>
<td>(19.7)</td>
<td>(167.72)</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>13.54</td>
<td>1.96</td>
</tr>
<tr>
<td></td>
<td>(1.9)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Compensation and other Bonds</td>
<td>20.08 **</td>
<td>8.58 **</td>
</tr>
<tr>
<td></td>
<td>(5.34)</td>
<td>(4.69)</td>
</tr>
<tr>
<td>Special Floating and other Loans</td>
<td>12.96 **</td>
<td>1.44 *</td>
</tr>
<tr>
<td></td>
<td>(3.69)</td>
<td>(3.03)</td>
</tr>
<tr>
<td>Special Securities issued to the R.B.I.</td>
<td>6.93 **</td>
<td>-3.97 **</td>
</tr>
<tr>
<td></td>
<td>(9.4)</td>
<td>(8.27)</td>
</tr>
<tr>
<td>Total Internal Debt</td>
<td>16.48 **</td>
<td>2.57 **</td>
</tr>
<tr>
<td></td>
<td>(12.57)</td>
<td>(14.36)</td>
</tr>
</tbody>
</table>

* Indicates the growth rate is significant at 5% level of probability.

** Indicates the growth rate is significant at 1% level of Probability

Bracket values are tc values
Table 5.4
Growth in Different Heads of Internal Debt

(Overall Period)

<table>
<thead>
<tr>
<th>Head</th>
<th>At Current Prices</th>
<th>At Constant Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Market Borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16.11 **</td>
<td>7.89 **</td>
</tr>
<tr>
<td></td>
<td>(178.35)</td>
<td>(7.47)</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9.14 *</td>
<td>1.41 *</td>
</tr>
<tr>
<td></td>
<td>(2.56)</td>
<td>(2.26)</td>
</tr>
<tr>
<td>Compensation and other Bonds</td>
<td>19.51</td>
<td>11.29</td>
</tr>
<tr>
<td></td>
<td>(1.41)</td>
<td>(1.25)</td>
</tr>
<tr>
<td>Special Floating and other Loans</td>
<td>15.43 **</td>
<td>7.26 **</td>
</tr>
<tr>
<td></td>
<td>(4.36)</td>
<td>(3.69)</td>
</tr>
<tr>
<td>Special Securities issued to the R.B.I.</td>
<td>24.58 *</td>
<td>14.23 *</td>
</tr>
<tr>
<td></td>
<td>(2.48)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Total Internal Debt</td>
<td>16.45 **</td>
<td>8.21 **</td>
</tr>
<tr>
<td></td>
<td>(14.99)</td>
<td>(6.53)</td>
</tr>
</tbody>
</table>

* Indicates the growth rate is significant at 5% level of probability.

** Indicates the growth rate is significant at 1% level of Probability

Bracket values are tc values
Table 5.5
Growth in the Share of Different Heads of Internal Debt
(Overall Period)

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Borrowings</td>
<td>-0.3 **</td>
</tr>
<tr>
<td></td>
<td>(166.17)</td>
</tr>
<tr>
<td>Treasury Bills</td>
<td>-6.28 *</td>
</tr>
<tr>
<td></td>
<td>(2.16)</td>
</tr>
<tr>
<td>Compensation and other Bonds</td>
<td>2.41</td>
</tr>
<tr>
<td></td>
<td>(1.27)</td>
</tr>
<tr>
<td>Special Floating and other Loans</td>
<td>-0.882 **</td>
</tr>
<tr>
<td></td>
<td>(3.95)</td>
</tr>
<tr>
<td>Special Securities issued to the R.B.I.</td>
<td>7.61 *</td>
</tr>
<tr>
<td></td>
<td>(2.28)</td>
</tr>
</tbody>
</table>

* Indicates the growth rate is significant at 5% level of probability.

** Indicates the growth rate is significant at 1% level of Probability

Bracket values are tc values
REFERENCES

6. Ibid
8. Ibid.