

National Accounts of India

1958-59 and 1959-60

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Recently the Central Statistical Organisation has brought out certain tentative estimates of gross capital formation consistent with the proposed revised series of national income estimates contained in the "National Income Statistics — Proposals for a Revised Series of National Income Estimates for 1955-56 to 1959-60".

Utilising these estimates of gross capital formation and the proposed revised series of national income, an attempt has been made here to construct a set of National Accounts.

It has not been possible to draw up the complete set of National Accounts recommended by the U N. However, keeping the standard system of National Accounts in view, the set of National Accounts presented in the First Report of the National Income Committee has been elaborated to the extent possible.

THE National Accounts provide a systematic record of the economic activity of a country during a given period by classifying all economic transactions taking place within that country or between it and other countries into relevant groups (flows) and by presenting these flows in a system of accounts and tables which facilitates the understanding of the statistical relationships among these flows.

"Even a simple inspection of the figures, for a given year or over a period of time, yields information on certain structural properties of the economy which is a useful, if not essential, background for public policy formulation. For instance, it is relevant to know what part of the total product of an economy is devoted to consumption as opposed to capital formation; the extent to which the economy is dependent on foreign trade; and the part which is played by foreign aid in providing the goods and services absorbed by the economy; the relative amounts of production originating in various industrial sectors such as agriculture, manufacturing and trade; the extent and the manner in which different parts of the economy make saving available for capital development; and other pieces of information of a similar kind. Useful conclusions can be derived from such factual information without any elaborate analysis. Even a rough quantitative picture of the economy is valuable for many administrative purposes and for this reason National

Accounting Studies should be undertaken even if in the short run they cannot be expected to attain a high degree of quantitative precision".

("A System of National Accounts and Supporting Tables¹, U N Series F No 2.)

Table 1 : Domestic Product Account

		(Rs abja)			
		1958-59	1959-60	1958-59	1959-60
1. Domestic product accruing to				5. Current expenditure on commodities and services	
1.1 private sector (13)	120.2	123.3	5.1 private (10)	107.2	109.0
1.2 govt sector (22)	1.1	1.2	5.2 government (18)	9.5	10.3
1.3 total	121.3	124.5	5.3 total	117.7	119.3
2. Provision for fixed capital consumption	8.3	8.7	6. Gross domestic fixed capital formation		
3. Indirect taxes			6.1 private (27.1)	14.6	13.1
3.1 taxes	8.1	8.9	6.2 public (27.2)	6.9	9.7
3.2 miscellaneous fees	0.8	0.7	6.3 total (27.3)	21.5	22.8
3.3 total (24)	8.9	9.6	7. Increase in stocks		
4. Less subsidies (19)	-0.5	-0.5	7.1 private (28.1)	2.4	2.4
Gross domestic product at market prices	138.0	142.3	7.2 public (28.2)	1.2	0.1
			7.3 total (28.3)	3.6	2.5
			8. Exports of goods and services (32)	7.2	7.7
			9. Less Imports of goods and services (35)	11.0	10.0
			Expenditure on gross domestic product	138.0	142.3

Table 2 : Private Appropriation Account

		1958-59 1959-60		1958-59 1959-60	
10. Consumption expenditure (5.1)	107.2	109.0	13. Income from domestic product (1.1)	120.2	123.3
11. Direct taxes (25)	3.6	3.7	14. National debt interest (23)	0.6	1.0
12. Private savings (30.1)	11.8	13.7	15. Earned income from abroad (33)	-0.2	-0.2
			16. Current transfers to household (20)	1.6	1.9
			17. Net current transfer payments from abroad to private sector (34-36-26)	0.4	0.4
Disposal of Private income	122.6	126.4	Private income	122.6	126.4

Estimate of Capital Formation

So far as India is concerned, it has not been possible to construct a complete set of National Accounts as some of the essential aggregates such as capital formation, savings and consumer expenditure have not been estimated with accuracy. The First Report of the National Income Committee presented a simplified set of National Accounts where the items consumer expenditure, provision for depreciation, private capital formation and private saving were depicted by symbols only. Recently the Central Statistical Organisation has brought out certain tentative estimates of gross capital formation consistent with the proposed revised series of national income estimate; contained in the "National Income Statistics

Proposals for a Revised Series of National Income Estimates for 1955-56 to 1959-60". Utilising these estimates of gross capital formation and the proposed revised series of national income a set of National Accounts has been constructed which is presented in this note. It has not been possible to draw up the complete set of National Accounts recommended by the U N in their "A System of National Accounts and Supporting Tables". However, keeping the standard system of National Accounts in view, the set of National Accounts presented in the First Report of the National Income Committee has been elaborated to the extent possible.

The estimates of national income used in the National Accounts presented here relate to those published in the "National Income Statistics - Proposals for a Revised Series of National Income Estimates for 1955-56 to 1959-60". Detailed Accounts of public authorities have been presented in this report only for the two years 1958,59 and 1959-60 and consequently it has been possible to construct the present set of National Accounts only for these two years. The estimates of fixed capital formation and depreciation provision have been taken from the "National Income Statistics - Estimates of Gross Capital Formation in India for 1918-49 to 1960-61" brought out by the C S O. These estimates of gross capital formation and the revised series of national income are yet to be finalised and on their finalisation the set of Na-

tional Accounts presented here will have to be appropriately revised.

The Different Accounts

The first Account which is the domestic product Account derives the gross domestic product at mar-

ket prices and presents the use of gross domestic product for current consumption and capital formation purposes. In Table 1 the estimate of current expenditure on commodities and services in the private sector has been derived as a resi-

Table 3 : Government Appropriation Account

	1958-59	1959-60		1958-59	1959-60
18. Consumption expenditure (5.2)	9.5	10.3	22. Income from property and entrepreneurship (1.2)	1.1	1.2
19. Subsidies (4)	0.5	0.5	23. Less national debt interest (14)	0.6	1.0
20. Current transfers to household (16)	1.6	1.9	24. Indirect taxes (33)	8.9	9.6
21. Saving (30.2)	1.7	1.1	25. Direct taxes (11)	3.6	3.7
			26. Net current transfers from rest of the world (34-36-17)	0.3	0.3
Disposal of current revenue	13.3	13.8	Current revenue	13.3	13.8

Table 4 : Consolidated Capital Reconciliation Account

	1958-59	1959-60		1958-59	1959-60
27. Gross domestic fixed capital formation			29. Provision for fixed capital formation (2)	8.3	8.7
27.1 private (6.1)	14.6	13.1	30. Saving		
27.2 public (6.2)	6.9	9.7	30.1 private (12)	11.8	13.7
27.3 total (6.3)	21.5	22.8	30.2 public (21)	1.7	1.1
28. Increase in stocks			30.3 total	13.5	14.8
28.1 private (7.1)	2.4	2.4	31. Net capital * transfers from rest of the world		
28.2 public (7.2)	1.2	0.1	31.1 private (39.1)	-0.1	-0.1
28.3 total (7.3)	3.6	2.5	31.2 public (39.2)	3.4	1.9
			31.3 total	3.3	1.8
Gross domestic capital formation	25.1	25.3	Finance of gross domestic capital formation	25.1	25.3

Table 5 : Rest of the World — Current Account

	1958-59	1959-60		1958-59	1959-60
32. Exports of goods and non-factor services (8)	7.2	7.7	35. Imports of goods & non-factor services (9)	11.0	10.0
33. Net factor income from rest of the world (15)	-0.2	-0.2	36. Current transfers to rest of the world (34--17--26)	0.2	0.2
34. Current transfers from rest of the world (17+26+36)	0.9	0.9	37. Surplus of the nation on current account --(38)	-3.3	-1.8
Current receipts	7.9	8.4	Disposal of current receipts	7.9	8.4

Table 6 : Rest of the World — Capital Reconciliation Account

	1958-59	1959-60		1958-59	1959-60
38. Deficit of the nation on current account --(37)	3.3	1.8	39. Net capital transfers from the rest of the world *		
			39.1 private (31.1)	-0.1	-0.1
			39.2 public (31.2)	3.4	1.9
total	3.3	1.8	total	3.3	1.8

* Including net borrowing from abroad.

dual. The enterprises and the households and non-profit institutions have been combined together and the appropriation Account of this combined private sector is presented in the next Account, in this Account the disposal of private income is shown and the estimates of private savings have been derived as a residual. The capital reconciliation Account has been consolidated for the private and government sectors and the savings of the private and government sectors are carried to this consolidated capital reconciliation Account. The current and capital reconciliation Account of the rest of the world sector are also presented here. It will be seen that in this articulated system of Accounts each individual credit entry has a corresponding identical debit entry elsewhere in the system.

The set of Accounts presented here, it will be seen, is short of the standard system of National Accounts recommended by the U N in as much as

(i) the Account II relating to distribution of national income by factor shares has not been presented in the present series.

(ii) the distinction between enterprises and households including private non-profit institutions has not been shown, and

(iii) the capital reconciliation Account for the private and government sectors have been combined.

At a later stage when the necessary details become available it would be possible to remove these limitations also.

Some of the conclusions emerging from the Accounts presented in this note may be briefly mentioned here. The gross domestic fixed capital formation accounts for Rs 2,150 crores in 1958-59 (or 15.6 per cent) out of a total expenditure on gross domestic product of Rs 13,800 crores. Of this nearly one-third is accounted for by the public sector. The disposable private income works out at Rs 11,900 crores in 1958-59 and of this 90 per cent is consumed leaving the share of savings at 10 per cent. From the consolidated capital reconciliation Account it will be seen that the gross domestic capital formation of Rs 2,510 crores in 1958-59 is financed to the tune of Rs 1,350 crores from internal savings and from borrowing from abroad to the extent of Rs 330 crores.

Around Bombay Markets

Share Dealings on Cash Basis

Thursday, Morning

THE feeling of despondency continues to pervade the stock market which has been hard hit by the severe slump in equities following the Chinese aggression. Quite a large number of stockbrokers are said to have suffered sizable losses partly on their own and partly because of their clients' failure to meet their obligations. But it is not these losses that the brokers are really worried about. Far more disturbing is the poor prospect of business in the foreseeable future. Business has been virtually at a standstill since 5th November and there is no knowing yet when the market will be permitted to resume forward dealings which provide the mainstay for the Bombay market. Even at its best, cash business is only a small percentage of the turnover in cleared securities.

Official warnings and the penal margins on short sales have brought about a welcome reduction in the volume of outstanding business. About 75 per cent of the outstanding sales are now said to be in the nature of hedge or against 'vyaj budir'. How to settle this business is the market's big headache at present. The difficulty could be overcome to a very large extent if the Life Insurance Corporation could be persuaded to purchase the securities, which are acting as a big drag on the market, at around the minimum prices fixed by the stock exchange authorities. Century, National Rayon, Indian Iron and Tata Steel are said to account for the bulk of the outstanding business in the market and they are not saleable at the minimum prices.

Relaxation in Trading

The governing board of the Bombay Stock Exchange decided on 28th November to permit trading with immediate effect in all cleared securities except these four leading speculative counters - Century, National Rayon, Indian Iron and Tata Steel — on a cash basis without prior permission of the President. Business in 10 cleared securities had already been permitted on a spot delivery basis from

16th November. The relaxation in trading has been made in view of the fact that the outstanding business has been reduced substantially and a measure of security has returned to the market because of the prevailing lull in the political situation.

The decision to permit trading on a cash basis is welcome in that it will enable genuine holders to dispose of their investments should they be in need of funds. Of course business will not be permitted below the minimum prices. The stock market is in for a difficult period. How difficult, it is not possible to forecast because a great deal depends on the unpredictable political situation. As Shri J R D Tata has rightly pointed out in his statement to the shareholders of the Investment Corporation of India, until the situation on the country's northern frontiers becomes clearer and the fiscal, monetary and other measures which Government may promulgate in pursuance of the war effort become known, it is impossible to estimate the full impact that such factors might have on the economic trends in the country.

Bullion

Wanted Action, Not Words

IN the nervousness which followed the Finance Minister Desai's statement that the Government was considering further steps to bring down the price of gold and that its ultimate aim was to fall in line with other countries where private possession of gold in large quantities was not allowed, spot gold was marked down to a new low of Rs 85 on 21st November. But thereafter the market developed a distinctly steadier sentiment and the quotation for gold recovered to Rs 91.50 per 10 grams. More significant than the recovery in prices was the marked revival of buying inquiries. Most market men feel that all the anxious selling is perhaps over and that the price of gold might not fall here Saturday's low of Rs 15 unless the Government actually takes further steps, to firing down prices. As a matter of fact,