

III. Government Outlays and Private Investment

18. The revised estimates for 1960-61 placed the combined expenditure of the Central and State Governments at Rs. 2721 crores. The budget estimates for 1961-62 stepped it up further to Rs. 2863 crores as will be seen from the following table:

Budgetary transactions of the Central and State Governments

	(Rs. crores)		
	1960-61 B. E.	1960-61 R. E.	1961-62 B. E.
I. Total Outlay	2564.6	2720.9	2863.1
(a) Development	1680.2	1807.9	1937.1
(b) Non-development*	884.4	913.0	926.0
II. Revenue Receipts ^{££}	1671.0	1776.8	1872.4
(a) Tax Revenue	1220.1	1284.1	1367.6
(b) Non-tax Revenue**	450.9	492.7	504.8
III. Gap (I-II)	893.6	944.1	990.7
Covered by :			
(a) Market loans (net)	184.0	151.2	145.1
(b) Small savings (net)	90.0	100.0	105.0
(c) Provident Fund (net)	51.8	53.6	54.3
(d) External Loans (net)	303.5	263.1	359.1
(e) P. L. 435 investment in special securities (net)	—	240.0	96.0
(f) Miscellaneous capital receipts (net)	104.4	85.4	111.9
(g) Deficit financing	159.9	50.8	119.3

@ Includes expansion and replacement outlays financed out of resources provided by the Railways and Posts and Telegraphs. Loans to agencies other than non-departmental government undertakings and local authorities have been excluded

* Excludes transfers to special development fund, appropriation to revenue reserve, contingency and zamindari abolition funds and for reduction and avoidance of debt

† Excludes transfers from funds

** Includes provision for depreciation and retained profits of the Railways and Posts and Telegraphs

19. In keeping with the increase in total government expenditure and in view of the substantial target for additional taxation envisaged in the plan, the Central Government levied fresh taxes estimated to yield a revenue of Rs. 57 crores during 1961-62. In addition the State Governments proposed to raise another Rs. 17 crores. On present indications, the actual yield from the measures of additional taxation taken at the Centre in the current year will be higher than what was estimated earlier.

20. The net expansionary impact of the budgetary transactions of the Central and State Governments as measured by the excess of total expenditure over revenue receipts was expected to increase from Rs. 944 crores in 1960-61 (Revised Estimates) to Rs. 991 crores in 1961-62 (Budget Estimates). Bearing in mind, however, the somewhat greater buoyancy in tax receipts than was envisaged earlier, the actual net expansionary effect of budgetary transactions in 1961-62 may not be significantly larger than in the last year of the second plan.

21. The substantial excess of Government expenditure over revenue receipts, which has been a normal feature of Government budgets in recent years, has been covered in the main by market borrowing, small savings, external assistance and deficit financing. During the current year, total market borrowing of Central and State Governments amounted to Rs. 134 crores, which was about the same as in the preceding year. Net collections under small savings schemes in the first nine months of the current fiscal year amounted to Rs. 45 crores as against Rs. 60 crores during the corresponding period of 1960-61. While part of this decline is a correction of the abnormal increase in Post Office Savings Bank deposits in 1960-61 when confidence in commercial banking was disturbed on account of certain bank failures, the fact remains that net collections of small savings during the current year are not likely to come up to the level of Rs. 105 crores for which credit was taken in the budget estimates. Receipts from external assistance are also expected to be somewhat smaller than the amount budgeted for. In the result, deficit financing by the Central and State Governments during the current year is likely to be somewhat larger than what was assumed in the budgets.

22. The steady increase in developmental outlays by the Government in recent years has been accompanied by a buoyancy in private investment. The upward trend in private investment was maintained in 1961 as can be seen from the sizeable increase in the offtake of investment goods like steel and cement. Imports of machinery on private account amounted to Rs. 101 crores during the first nine months of 1961 as compared to Rs. 73 crores in the corresponding period of 1960; and domestic production of machinery was also higher. Among the financial indicators of the expansion of investment activity in the private sector, the amount of capital raised by non-Government concerns from the new issue market is one of the most important. On the basis of incomplete reports available so far, the total amount so raised during 1961 is expected to be appreciably higher than the Rs. 87 crores estimated to have been raised during 1960. There has been a steady increase in consents for capital issues obtained by non-Government concerns from Rs. 89 crores in 1958 to Rs. 150 crores each in 1959 and 1960 and to Rs. 185 crores in 1961.

23. The pressure of demand on available supplies during the year was thus inevitably upward on account of increases in Government outlays and private investment. The step-up in developmental outlays, however, in both the public and private sectors was moderate; and this, together with the enlargement of resources and the improvement in supplies, restored a measure of stability to the economy which is reflected in monetary and price trends.