

3. FLOW OF FUNDS ACCOUNTS COMPILATION

3.1. Introduction

In the system of national accounts, flow of funds accounts is one of the four complementary systems of national economic accounting; the other three being: national income accounts, national balance sheet and input - output analysis. The compilation of flow of funds accounts for the Indian economy was initiated in 1959 under the joint auspices of Central Statistical Organisation (CSO) and the Reserve Bank of India. Later in 1959, a model set of accounts, which could be followed was suggested by Working Group constituted for the purpose. This Group took note of statistics then available and the important work done by Prof. H.W. Arndt of the National University of Australia in 1959. Subsequently, the work was developed by RBI and published the financial flow accounts regularly. The flow of funds accounts explains the routes of financing the investment and also the interaction between economic activity and financial activity, portraying simultaneously the funds transacted between different economic units. The flow of funds accounts thus represent a set of accounts designed to show transactions between different economic units effected through medium of money and credit. These transactions exclude barter, book-keeping transfers of internal nature pertaining to a particular unit, intra-unit transactions and inputted transactions.

The flow of funds accounts can be divided into financial flows and non-financial flows. The later category covers the transactions relating to current receipts, current payments, which involve the exchange of goods and services for money or near money holdings or unilateral transfers, and the real assets formation, viz., fixed assets formation and increase in inventories. The current receipts and current payments appear in the current account whereas the real assets formation and its financing appear under capital account. The transactions relating to borrowing and lending operations resulting in borrowing or repayment of debt and increase/decrease in financial assets are termed as financial flows.

By the very nature, the term 'flow of funds' indicates transactions of any economic unit during a period of time. The sources of funds constitute the increase in liabilities (borrowing) and decrease in assets (reduction of money balances and assets). The uses of funds comprise decrease in liabilities (repayment of debt) and increase in assets (acquisition of assets). When the accounts are presented on these lines, they are said to be on 'gross basis'. But in practice, however, such data are not available for all sectors to present the accounts on gross basis and, therefore, they are presented on net basis. In other words, net increase in liabilities and net increase in assets are only presented.

The next few sections present various sources of data and to a large extent, the compilation procedure of the financial flow of funds accounts (also referred as financial flows accounts). Thus, the term 'flow of funds' referred to in the section henceforth, would generally relate to financial flows accounts.

3.2. Sectoral Classification of Indian Economy

For the purpose of Flow of Funds (FOF) accounts, the Indian economy is divided into six sectors, the criteria for the classification being the institutional structure and activity status.

The six sectors are (i) Banking, (ii) Other Financial Institutions, (iii) Private Corporate Business, (iv) Government, (v) Rest of the World and (vi) Households. This is in line with the recommendations of the Working Group on Flow of Funds, 1963. Broad coverage of each sector is set out below:

- (i) **Banking Sector:** It covers institutions whose liability consists of currency and deposits. Specifically, the Reserve Bank of India, which is the currency issuing authority, and deposit taking banks comprising commercial banks, co-operative banks and credit societies are included. The commercial banks comprise the State Bank of India and its subsidiaries, other

nationalised banks, Regional Rural Banks (RRBs), other Indian scheduled and non-scheduled commercial banks, and foreign banks operating in India. 'The co-operative banks and credit societies' cover State Co-operative Banks, Central Co-operative Banks, Primary Cooperative Banks, Agricultural and Non-agricultural Credit Societies, Central and Primary Land Development Banks, and Industrial (State and Central) Cooperative Banks.

- (ii) **Other Financial Institutions:** Institutions covered under this sector are listed in Annex 3.1. The sector covers i) financial corporations and companies ii) insurance and iii) provident and pension funds. Financial corporations, covering development financial institutions at all India and state levels, Unit Trust of India (UTI), mutual funds and non-banking financial and investment companies. The insurance sub-sector comprises life and general insurance corporations and companies. The non-government provident fund includes the Employees Provident fund Scheme, Seamen's P.F. Scheme, Employees P.F. of RBI, Commercial banks, etc. (See Annex 3.1 for details).
- (iii) **Private Corporate Business Sector:** The cooperative non-credit societies and the non-government non-financial companies are the two sub-sectors in this sector. The co-operative non-credit societies comprise marketing societies, co-operative sugar factories, cotton ginning and pressing societies, milk supply unions and societies, fisheries societies, farming societies, irrigation societies, consumers' co-operative stores, housing societies, weavers' societies, spinning mills, etc. as detailed out in Annex 3.1. Non-government non-financial companies comprise public and private limited companies (including foreign controlled rupee companies), which are registered in India under the Indian Joint Stock Companies Act, 1956, and branches of foreign companies operating in India. Operating companies are defined as companies, which have commenced regular

commercial production and started earning income from their main activity. However, the following companies are excluded: (i) companies under construction, (ii) promotional and developmental organisations/associations not functioning for profit, (iii) companies which do not report any business/activity, (iv) companies which are on the verge of liquidation, (v) companies which have sold out their assets, (vi) companies which are under the process of winding up and (vii) companies which have already applied for voluntary liquidation, as on a particular date.

- (iv) **Government:** The constituents of this sector are: (a) central government and its departmental commercial undertakings, (b) state governments and union territories including their departmental commercial undertakings, (c) local authorities (covering city corporations, municipalities, panchayats and port trusts) and (d) government non-departmental non-financial commercial undertakings including state electricity boards. The post office savings banks are also included.
- (v) **Rest of the World:** The sector covers transactions of resident units with all non-resident units covering Indian nationals abroad, foreign nationals and international institutions. A list of international institutions covered in the sector is furnished in Annex 3.3.
- (vi) **Households:** This is the residual sector comprising the individuals, households, non-government non-corporate enterprises of farm/firm business and non-farm/firm business, (like sole proprietorships and partnerships), trusts and non-profit institutions.

3.3 Instruments

The available financial instruments are grouped into the following eleven categories in FOF accounts:

- (i) **Currency:** It includes notes in circulation issued by the Reserve Bank and one-rupee

notes and coins issued by the Government of India.

(ii) **Deposits:** Under this head, deposits held with RBI, commercial banks, co-operative banks, cooperative credit and non-credit societies as also deposits received by financial corporations, government and Rest of the World are included. Deposits with non-banking companies are also included here. Compulsory deposits with RBI, which are shown separately, are excluded.

(iii) **Investments:** This category covers the following instruments:

Government Securities: This includes market loans, treasury bills, special bonds (including bearer bonds) and compensation bonds issued by the central and state governments and central government's borrowing from RBI against compulsory deposits.

Other Securities of Government (other than small savings): This includes bonds, shares and debentures issued by the port trusts, municipal corporations, housing boards, state electricity boards and non-departmental non-financial undertakings.

Securities of Banks: This refers to the paid-up capital of RBI and commercial banks; shares and debentures issued by co-operative banks and credit societies.

Securities of Other Financial Institutions: Shares, units, bonds and debentures issued by financial corporations, non-banking financial companies and insurance companies are covered here.

Private Corporate Securities: Shares and debentures issued by non-government non-financial companies and co-operative non-credit societies are included under this head.

Foreign Securities: Securities issued by foreign institutions, foreign exchange assets appearing against investments under sources of funds of the Rest of the World sector are covered here.

Other Securities: When the details of securities are not identified against any sector, they are shown under this category.

(iv) **Loans and Advances:** Items included under this head are borrowings of all sectors.

(v) **Small Savings:** National Savings Certificates, Post Office Deposits, etc., issued by Central Government are included under this instrument.

(vi) **Provident Fund:** Non-government provident funds and government provident funds are covered here. Pension funds are also included here.

(vii) **Life Fund:** Items covered under this head are life insurance fund of Life Insurance Corporation of India (LIC), postal insurance fund of central government and state governments' insurance fund.

(viii) **Compulsory Deposits:** This refers to deposits held with RBI in pursuance of the legislative requirement, viz., *Compulsory Deposits Scheme, 1974*. The Scheme has since been withdrawn.

(ix) **Trade Credit/Debt:** Under this head, trade credit/debt by non-government non-financial companies, government non-departmental undertakings and port trusts is reported.

(x) **Foreign Claims Not Elsewhere Classified:** Certain foreign claims, which could not be classified under any of the instruments listed above are shown here. Such items are (i) commercial banks' branch adjustments - outside India, (ii) excess of assets over liabilities as per Form X ' ' and (iii) such other items which may appear under sources/uses of funds.

(xi) **Other Items Not Elsewhere Classified:** The items, which could not be classified under any of the above listed instruments, are shown here. The items may be different for sources and uses of funds. Generally, bills payable/receivable, branch adjustments in India, other financial

Sector	Sources
<p>1.3 Co-operative Banks and Credit Societies</p>	<p>6. Form X on various items of assets and liabilities of scheduled and non-scheduled commercial banks, as on March 31.</p> <p>1. Assets and liabilities of the co-operative banks and credit societies, published in <i>Statistical Statements relating to Co- operative Movement in India Part I - Credit Societies</i>, NABARD.</p> <p>2. Special information on assets and liabilities of state and district central co-operative banks.</p>
<p>2. Other Financial Institutions</p> <p>2.1 Development Financial Institutions</p> <p>2.2 Unit Trust of India</p> <p>2.3 Insurance</p> <p>2.4 Mutual Funds</p> <p>2.5 Non-Government Provident Fund</p> <p>2.6 Financial and Investment Companies</p>	<p>1. Balance sheets of the development financial institutions (as given in their respective <i>Annual Reports</i>).</p> <p>2. Special information relating to assets and liabilities of State Industrial Development Corporations.</p> <p>1. Balance sheet of Unit Trust of India (<i>Annual Report</i>, UTI).</p> <p>2. Special information giving scheme-wise details of UTI's balance sheet.</p> <p>Balance sheets of LIC, GIC, DICGC, ECGC and four subsidiaries of GIC and annual reports of private insurance companies from 1990's onwards. Indian Insurance Year Book for years prior to nationalization of Insurance companies.</p> <p>1. Balance sheets of various Mutual Funds.</p> <p>2. Special information on various items of assets and liabilities from mutual funds.</p> <p>Balance sheets of employees' provident fund (EPF) organization, coal mines provident fund organization, seamen's provident fund organization, and Assam tea plantations provident fund organization, provident funds of RBI, commercial banks, LIC, dock labour boards, all port trusts, state financial corporations, Industrial Finance Corporation of India and Air India/Indian Airlines, etc.</p> <p>1. Studies on finances of financial and investment companies (<i>RBI Bulletin</i>).</p> <p>2. Articles on growth of deposits with non-banking companies (<i>RBI Bulletin</i>).</p>

Sector	Sources
<p>3. Private Corporate Business</p> <p>3.1 Non-Government Non-Financial Companies</p> <p>3.2 Co-operative Non-Credit Societies</p>	<p>1. Published articles relating to assets and liabilities of medium and large public limited companies, medium and large private limited companies (<i>RBI Bulletin</i>).</p> <p>2. Data on global paid-up capital from Department of Company Affairs, Government of India.</p> <p>Assets and liabilities of co-operative non-credit societies; published in <i>Statistical Statements relating to Co-operative Movement in India, Part II - Non-credit Societies</i>, NABARD.</p>
<p>4. Government</p> <p>4.1 Central Government</p> <p>4.2 State Governments and Union Territories</p> <p>4.3 Local Authorities</p> <p>4.4 Government Non-Departmental Non-Financial Enterprises</p>	<p>1. <i>Economic and Functional Classification</i> of central government budget.</p> <p>2. <i>Finance Accounts</i> of the union government.</p> <p>3. <i>Budget documents</i> of the central government.</p> <p>4. Ownership pattern of central government securities (<i>Report on Currency and Finance</i>, RBI).</p> <p>5. Special information on ownership of Government of India Treasury Bills as on March 31.</p> <p>1. Consolidated finances of state governments and union territories (<i>RBI Bulletin</i>).</p> <p>2. Finance accounts of each state government/combined finance and revenue account of the union and state governments in India.</p> <p>3. Ownership pattern of state governments securities (<i>Report on Currency and Finance</i>, RBI).</p> <p>Assets and liabilities of port trusts (<i>Annual Reports</i> of various port trusts).</p> <p>1. Assets and liabilities of public sector enterprises (<i>Public Enterprises Survey</i>, Bureau of Public Enterprises, Government of India).</p> <p>2. Assets and liabilities of state electricity boards and Damodar Valley Corporation (as published in respective <i>Annual Reports</i>).</p> <p>3. Articles on growth of deposits with non-banking companies (<i>RBI Bulletin</i>).</p>

Sector	Sources
5. Rest of the World	Special information on payments and receipts under (i) Private capital, (ii) Official miscellaneous capital, and (iii) Banking capital, from balance of payments accounts published by RBI.
6. Household	The accounts of this sector have been basically drawn from the accounts of all five sectors described above. Assets or uses of funds reflected in these sectors against household sector represent liabilities or sources of funds of household sector. Similarly liabilities or sources of funds from household represent assets or uses of funds of household sector. Thus there is no separate published source giving data on household sector.

3.5 Methodology of Compilation

The FOF Accounts are compiled based on a systematic procedure following several steps. At the outset, transactions of financial nature should be segregated from transactions in non-financial nature. However, transactions of non-financial nature have been broadly described in Section 4.1 'Introduction'. Based on these, transactions of financial and non-financial nature have been segregated. For example, change in fixed assets of an institution is reflected in its non-financial flows while cash holdings under the system are grouped under financial flows. All transactions of financial nature should, therefore, be identified and included in financial flow funds. In the second stage, the transaction of financial nature are assigned to different sectors depending upon the sector from whom or to whom the funds to be borrowed or lent. Further, intra-sectoral transactions are netted out, while inter-sectoral transactions will be entered in two places - the sector from which the funds have come and the recipient sector. In the third stage, the transaction of financial nature are categorised as either sources or uses depending upon the receipt and payment criteria described earlier. The following section describes the procedure of compiling sources/uses of funds according to instrument-wise and sector-wise classification.

3.5.1 Banking Sector

The accounts of the three sub-sectors under this sector are prepared independently on the basis of

their balance sheets. The balance sheet data pertain to March 31 for RBI, June 30 for co-operative banks and credit societies, and last reporting Friday of March for commercial banks. The choice of last reporting Friday as against March 31 for commercial banks is preferred to avoid the year-end bulge in a number of items of assets and liabilities. The procedure of the compilation of the accounts as well as estimation of sectoral particulars in respect of different instruments is presented below for each sub-sector.

a) Reserve Bank of India

Notes in Circulation

'Notes in circulation' comprise bank notes (i) held in Banking Department of RBI, and (ii) in circulation (i.e., outside the RBI). Bank notes and rupee coins in circulation are held by different institutions/sub-sectors as part of their saving and also for day to day transactions. As the cash held by different institutions/sub-sectors includes both the bank notes and the government notes, break-up for each sub-sector is made by assuming that their ratio to one another is the same as indicated in the data on total 'notes in circulation' and total 'circulation of rupee coins and small coins' as on March 31 of the respective year. The sectoral distribution of bank notes has been worked out based on the cash held by different organized sectors reported in their accounts and households part is obtained as residual.

Paid-up Capital

The paid-up capital of RBI has remained constant at Rs.5 crore since 1948. As there is no change in the amount so far, the flow on this account is nil.

Deposits

The deposits with RBI are classified as deposits of commercial banks, co-operative banks, insurance companies/corporations, financial corporations, and provident funds, government, Rest of the World, Compulsory Deposits, and others (items like cheques for collection account, uncleared items of the credit account, sundry deposits, etc., which could not be allocated to any sector). In order to segregate 'other' deposits into these institutional/sub-sectoral details, special information as on March 31 is called for from the regional offices of the RBI. 'Other deposits' of the RBI, after excluding the Compulsory Deposits, are proportionately allocated to different sectors based on the sectoral pattern of 'other deposits' indicated in the special information. After estimating the sectoral figures, the deposits held under Account No.1 of the International Monetary Fund (IMF) with the RBI are deducted from the deposits estimated against the Rest of the World sector and shown separately as loans from IMF. This modification is made in the accounts of RBI sub-sector because the above transactions in the Rest of the World sector's accounts are shown as loans to the official sector (RBI).

Bills Payable

'Bills payable' include (a) outstanding drafts issued among the offices of RBI (b) outstanding payment orders issued by RBI for local payments and (c) outstanding balance in the remittance clearance account. Since 1975-76, a special return as on March 31, is being received from the regional offices of RBI. The amount of bills payable, as given in the Statement of Affairs, is allocated to different sectors on the basis of the sectoral pattern derived from this special return.

Other Liabilities

The extent of transactions in non-financial instruments is excluded from 'other liabilities'

by identifying such items. For this purpose, a special return is used.

Rupee and Small Coins

This item comprises the holdings of the Issue and the Banking Departments of the RBI in the form of rupee notes/coins of all denominations of the Central Government and also any other commemorative coins (even if they are of higher denomination) issued by the Government of India. Rupee notes/coins are shown as the RBI's claim on the Government Sector, because rupee notes/coins are shown as the currency liability of the Government.

Gold Coin and Bullion

Stock of gold held by RBI in its vaults is shown against this head. The gold purchased by RBI, as part of its transactions, from the International Monetary Fund (IMF) is also included here. The increase in the value of gold holdings due to revaluation is not shown under the financial flows accounts. This particular amount due to revaluation is shown against revaluation account and, therefore, only the increase in the value of gold due to rise in physical stock of gold is shown under the financial flows. It is considered as a foreign asset and shown against the 'Rest of the World' sector for the sectoral classification.

Foreign Assets

Foreign assets of RBI comprise 'foreign securities' held in the Issue Department and 'balances held abroad' in the Banking Department. These include short-term securities, cash balances and fixed deposits with foreign central banks and other major international commercial banks. As these relate to transactions of RBI with foreign governments/central banks and international institutions, these are classified against the 'Rest of the World' sector under sectoral presentation and as 'investments - foreign securities' in the instrument-wise classification.

Investments

The Statement of Affairs of RBI presents data only on aggregate investments. Hence, we take recourse to a special return for details of composition of such investments.

Loans and Advances

Data on loans and advances out of the National Agricultural Credit (Long Term Operations) Fund, the National Agricultural Credit (Stabilisation) Fund, the National Industrial Credit (Long Term Operations) Fund and loans from other funds are separately available.⁵ Recipients of loans are classified in the Statement of Affairs, as (a) Central Government, (b) State Governments and union territories, (c) commercial banks, (d) co-operative banks and (e) financial corporations. 'Internal bills purchased and discounted' are also included under loans and advances, as these are the bills of commercial banks that are discounted by RBI. Loans to employees for purchase of cars, etc., are shown as loans to the Household sector, whereas housing loans are classified as loans to co-operative non-credit societies as a large part of such loans is given to the co-operative housing societies.

Other Assets

Since the details of 'other assets' are not reported in the Statement of Affairs, a special return from the regional offices of RBI is utilised for this purpose. The items of non-financial nature such as dead stock account are excluded from other' assets.

b) Commercial Banks

The data on assets and liabilities of all scheduled commercial banks (including RRBs) as on the last reporting Friday of March are drawn from the return obtained under Section 42(2) of the Reserve Bank of India Act, 1934 (hereafter referred to as Section 42 return). Form X, a monthly return received in RBI under Section 27 of the Banking Regulation Act, 1949, presents data on all items of assets and liabilities including those available in Section 42 return for all commercial banks and the data on March 31 is considered to compile the accounts of this sub-sector. The details which are not available from the Section 42 return are supplemented with data available from the Form X return. Different survey results on bank credit, deposits and investments [viz., Basic Statistical Returns (BSR) 1, 4 and 5] are used for estimating sectoral details under these instruments. A brief account

of the instrument-wise compilation is presented below:

Paid-up Capital

The data on paid-up capital are obtained from the Form X return which is available for five groups of banks, viz., (a) State Bank of India and its subsidiaries, (b) nationalised banks, (c) other Indian scheduled banks (including RRBs), (d) scheduled foreign banks and (e) functioning non-scheduled banks. These banks are regrouped to work out the ownership details of their paid-up capital into: (i) public sector banks, (ii) RRBs and (iii) other Indian scheduled and (iv) non-scheduled banks (residual).

The RBI and Central Government hold the paid-up capital of public sector banks. However, it is observed that the accounts of the Life Insurance Corporation of India (LIC), still show investment in shares of certain nationalised banks, perhaps, due to non-receipt of compensation. Therefore, to derive the figure for the Central Government's share, the LIC's contribution is subtracted along with that of the RBI's, from the total paid-up capital of the public sector banks. In recent years, public sector banks have been accessing the primary market with public offer of their equity shares. The ownership of paid-up capital of RRBs is divided among the Central Government, State Governments and commercial banks in the ratio 50:15:35. Thus, the paid-up capital of all the commercial banks is allocated among (a) RBI, (b) commercial banks, (c) LIC, (d) Central Government, (e) State Governments and (f) households.

Deposits

The data on deposits are obtained from the Section 42 return, which gives aggregate demand and time deposits. The particulars of ownership of these deposits are estimated on the basis of the survey on 'ownership of deposits with scheduled commercial banks' as on the last Friday of March, available through the Basic Statistical Return - 4. The ownership details are available by type of deposits, viz., current, saving, fixed and other deposits. The relationship of

current, savings and fixed deposits available in Form X is applied separately to the aggregate deposits 'from others' from the Section 42 return, to split-up the aggregate deposits into current, saving and fixed (including cash certificates) deposits. The deposits thus estimated are allocated among the various sectors on the basis of the ownership survey, separately for current, savings and fixed deposits. The ownership details of the deposits from banks are shown against commercial banks, which include Indian commercial banks (both public and private sector banks), foreign resident banks (offices of foreign banks operating in India) and co-operative banks. The deposits from others are classified into financial corporations, insurance companies/corporations, non-government provident funds, co-operative non-credit societies, non-government non-financial companies, government (including government non-departmental undertakings), rest of the world and household sector.

Bills Payable

Details of this item are given under bills payable in India and bills payable outside India. The latter part is shown against the Rest of World sector. In the absence of more details on the former category, the total amount is shown as 'sector not elsewhere classified'. In the instrument-wise classification, this is shown as 'item not elsewhere classified'.

Branch Adjustments

The data under this head are available for branch adjustments (a) with offices in India and (b) with offices outside India. While the second category represents transactions with the Rest of the World sector, the first category represents intra-commercial bank transactions. An item 'branch adjustments among offices in India' also appears under the asset side.

Miscellaneous Liabilities

The data on this item are obtained from Form X return. It comprises various items of financial and non-financial nature, such as, unclaimed dividends, staff gratuity account, investment fluctuation reserves, provision for tax liability,

reserve for bad and doubtful debts, special reserves, secret reserves, and interest accrued on deposits outstanding. A similar item, viz., 'other intangible assets' appears on the assets side. It includes interest accrued on investments; advance tax paid less provision and tax deducted at source, sundries like suspense, temporary advance, security deposits, clearing and other adjusting accounts. Miscellaneous liabilities net of 'other intangible assets (excluding inter-commercial bank transactions)' are assumed to represent the financial part for FOF accounts.

Cash in Hand

Cash in hand is taken from the Section 42 return. This item is split into bank notes and government notes, as described in the accounts of RBI. Bank notes are classified against the banking sector (RBI) while the government notes are shown under the government sector.

Balances with RBI and Banks, Money at Call and Short Notice

The data on these items are obtained from the Section 42 return under the sub-heads (a) balances with RBI, (b) balances with other banks - (i) in current account and (ii) other accounts and (c) money at call and short notice. The item, 'balances with other banks in current account' covers balances with commercial banks and co-operative banks. Its allocation into these two categories of banks is made on the basis of the Form X return. Balances with commercial banks in other accounts are considered as fixed deposits with commercial banks.

Investments

The Section 42 return in the case of scheduled banks and Form X return in the case of non-scheduled banks are the main sources of information on investments. The Section 42 return furnishes data on (a) government securities, and (b) other approved securities separately. The break-up of government securities into (i) central government securities, (ii) government treasury bills and (iii) state government securities, is obtained on the basis of the details given in the Form X return. Other

approved securities comprise securities approved under Section 5(a) of the Banking Regulation Act, 1949. Their sectoral allocation is worked out for both the scheduled and the non-scheduled banks on the basis of 'survey of investments of scheduled commercial banks as on March 31' (Basic Statistical Return - 5) conducted by RBI.

Bank Credit

Total bank credit consists of 'loans, cash-credits and overdrafts', 'inland bills-purchased and discounted' and 'foreign bills-purchased and discounted'. The first category represents all types of credit facilities (other than bills) such as demand loans, term loans, cash-credits, overdrafts, packing credits. Inland bills represent bills drawn and payable in India including demand drafts and cheques purchased and discounted (excluding bills rediscounted with RBI and other financial institutions). Foreign bills include all import and export bills including demand drafts drawn in foreign currencies and payable in India. The data on total bank credit collected from the Section 42 return, are available separately in respect of advances to banks and others. Since 'advances to banks' include advances to co-operative banks, commercial banks in India and banks outside India, these details are worked out on the basis of the Form X return. Advances to 'others' relate to the credit extended to other co-operative societies, other financial institutions, non-government non-financial companies, government (including government companies) and households. The detailed information on bank credit according to organisation and occupation (industrial activity) is available in the survey on outstanding credit of scheduled commercial banks (Basic Statistical Return-1). The occupational groups classified for the purpose are: (i) agriculture, (ii) medium & large industry, (iii) small-scale industry, (iv) wholesale trade-food procurement purpose and others, (v) other priority sectors, namely, retail trade, personal and professional services and transport operators, and (vi) all others (including personal loans). Under these occupational groups, the Household sector covers institutions like partnerships, proprietary concerns, joint families and individuals. Besides, the amount shown

under credit limits of Rs.25,000 and less is also shown as loan to the Household sector. The details of credit for food procurement operations to Central and State Government agencies are as per the sectoral deployment of gross bank credit, as reported in the RBI's *Annual Report*. The occupational group, 'others' includes loans to commercial banks, co-operative banks, other financial institutions and others. Since bank credit given in Section 42 return excludes inter-bank credit, such credit under 'others' is not considered while working out the sectoral classification of bank credit.

c) Co-operative Banks and Credit Societies

As already mentioned, the primary data on assets and liabilities of all these co-operatives are obtained from *Statistical Statements Relating to Co-operative Movement in India - Part - I - Credit Societies*, published by National Bank for Agriculture and Rural Development (hereafter referred to as *Statistical Statements*). Since *Statistical Statements* do not furnish the sectoral details of many items in the assets and liabilities of co-operative banks, a special return is obtained from different state and district central co-operatives. The sectoral proportions, thus obtained, are applied on the different balance sheet items of co-operative banks and societies at the aggregate level.

3.5.2. Other Financial Institutions (OFI)

The detailed coverage of the OFI sector is presented in Annex 3.2. However, in this section, for the convenience of exposition and because of similarities in balance sheets, the development financial institutions, Unit Trust of India and financial and investment companies are clubbed together under financial corporations and companies. Hence, we shall discuss the compilation for the OFI sector under the heads: (a) financial corporations and companies, (b) insurance companies/corporations, (c) mutual funds (other than UTI), and (d) non-government provident funds.

a) Financial Corporations and Companies

The *Annual Report* and accounts of the corporations form the basic source in respect of

most of the financial corporations. However, for the 26 State Industrial Development Corporations (SIDCs), a special return is received from IDBI. On the other hand, RBI study on 'finances of financial and investment companies' forms the basic source for the financial companies. Since the study presents data only for a sample of non-government financial companies, the global figures are estimated on the basis of the share of the paid-up capital covered in these studies.

Paid-up Capital

The paid-up capital of financial institutions is subscribed by different categories of economic units. Broadly, the categories are classified into (i) RBI, (ii) commercial banks, (iii) co-operative banks, (iv) financial corporations, (v) insurance companies/corporations, (vi) Central Government, (vii) State Governments, (viii) Rest of the World and (ix) Households. These details are culled out either from the *Annual Reports* or obtained through special return from the institutions concerned. In the case of financial and investment companies, the total paid-up capital is available. Its ownership break-up is worked out by subtracting the intra-sectoral investment by financial and investment companies and attributing the residual to households.

Bonds/Debentures

Most of the financial institutions covered in this sub-sector issue bonds and debentures. In respect of IDBI, IFCI, ICICI, IIBI (the erstwhile IRBI), HUDCO, and NABARD, the details of the subscribers to the bonds are obtained from individual institutions. The particulars of SFCs are received from the IDBI. The sectoral breakup for each of the institutions is worked out on the assumption that the sectoral pattern of redeemed securities is the same as that of the securities issued during the year.

Initial Capital & Unit Capital

The initial capital and unit capital are issued only by the Unit Trust of India (UTI). The investor details of initial capital are received from the UTI through a special return.

Borrowings

Each financial corporation reports its sources of borrowing which are classified into (a) RBI, (b) commercial banks, (c) financial corporations, (d) insurance, (e) Central Government, (f) State Governments, (g) Rest of the World, and (h) others.

Deposits

Another source of funds for institutions like, SFCs, ICICI, SIDCs and IDBI is acceptance of deposits. The deposits with IDBI are those received under the Companies Deposit (surcharge on income tax) Scheme, 1976. The data on households' deposits with non-banking financial (government and non-government) companies are drawn from the RBI survey on 'growth of deposits with non-banking companies'.

Other Liabilities

Items of miscellaneous transactions, which are included under this head differ from one institution to another. For example, they cover application money for shares/bonds/debentures, sundry creditors, interest accrued and due, interest accrued but not due, unclaimed dividends, miscellaneous liabilities and such other items which are claims of other economic units. The IFCI and SFCs show their employees' provident fund under other liabilities. This item is shown as a claim of the non-government provident fund sub-sector in the form of deposits because all the non-government provident funds are shown under one sub-sector wherein the household sector is the claimant of the fund.

Cash and Bank Balances

All the corporations present the data separately on cash in hand and bank balances under current and fixed deposits with commercial banks. Balances with banks outside India are shown as deposits with the Rest of the World.

Loans and Advances

Loans and advances, bills of exchange purchased and discounted, and participation certificates are included under this head. The sectoral

particulars of loans are obtained from either the *Annual Reports*/special returns, or estimated on the basis of both the sources. Survey on financial and investment companies provides the details of loans against (i) subsidiary companies, (ii) holding companies and companies in the same group, (iii) hire purchase and (iv) others.

Investments

The particulars of investments differ from one institution to another. Financial corporations invest in debentures of co-operative banks, central and state government securities, shares/debentures of public and private sector companies, financial corporations (*intra* sub-sector), bonds of state electricity boards, and others (unclassified).

Other Assets

This item covers miscellaneous assets, such as cash in transit, application money on investments, cheques sent for collection and on hand, sundry debtors, deposit money towards purchase of shares, sundry advances, book debts, and interest accrued on investments. Sectoral particulars under these categories are not available except for a few items. These items are shown as 'other items not elsewhere classified' in the instrument-wise classification and 'sector not elsewhere classified' for sectoral presentation.

b) Insurance

Paid-up Capital

The paid-up capital of the LIC and GIC is held by the Central Government while that of the subsidiaries of GIC is held by the GIC. The capital of DICGC is held by the RBI whereas the Central Government owns the paid-up capital of ECGC.

Life Insurance Fund

The LIC receives life insurance premiums (shown as life fund) from individuals (Household sector), and non-residents (Rest of the World Sector), the details of which are published in the *Annual Report* of the LIC.

Borrowings

General insurance companies, besides their insurance fund under different schemes, obtain funds from commercial banks in the form of loans and overdrafts.

Other Liabilities

Items such as sundry creditors, amount payable to former shareholders, net liability in respect of closed branches abroad, unclaimed dividends, and a few other items classified under 'other liabilities' are treated as other financial instruments and included in the items 'not elsewhere classified'

Cash and Bank Balances

Bifurcation of the item into 'cash in hand' and 'current account balances' is obtained from the insurance companies with a break-up of the cash balances in India and held outside India. 'Cash held outside India' is shown as deposits with the Rest of the World sector. Cash in hand is further split into 'RBI notes' and 'one rupee notes and coins'.

Loans and Advances

The sectoral particulars of loans and advances are culled out from their *Annual Reports*. The assets item 'outstanding premium considered good and doubtful' in the case of life insurance business is divided into two components, *viz.*, relating to business in India and outside India. The component 'in India' of this item is shown under the Household sector whereas the other component, 'outside India', is included under the Rest of the World sector.

c) Mutual Funds

With the setting up of mutual funds (other than UTI) initially by the public sector banks and financial institutions and later by the private sector, the coverage of the Other Financial Institution sector has increased. Accordingly, the FOF accounts have started presenting the mutual funds separately from 1987-88 onwards. In the earlier articles, due to non-availability of sectoral details, the subscriptions for mutual

funds were assumed to be coming entirely from the Household sector. Subsequently, the sector-wise allocation of mutual funds was made on the basis of proportions worked out from the data obtained from the records of RBI, and Securities and Exchange Board of India (SEBI). Presently, the receipt of information from the mutual funds has been regularised by obtaining the data on their sources and uses of funds as per the specially designed format.

d) **Non-Government Provident Funds**

Provident fund contribution of employees as also of employers, contributory pension fund and deposit-linked insurance fund are the sources of funds for this sub-sector. The Household sector is not only the claimant for the first two categories of funds but also for the deposit linked insurance fund, which is paid on the death of the employee insured.

Provident Fund

The *Annual Reports* of EPF, and provident funds covering employees of coal mines, Assam tea plantations, and seamen provide data on investments, made out of (i) contributions received, (ii) interest credited, (iii) interest income received on previous investment and (iv) reinvestments from redeemed securities. However, the investment details against these categories are not available except the amount of redeemed securities. The investments out of the redeemed securities are netted from the gross investments to arrive at the total net provident fund contributions. The contributions, thus derived, are invested as per the guidelines issued by the Central Government from time to time. In the case of RBI, the employees' provident fund is maintained as deposits with RBI.

Family Pension Fund

Employees' Family Pension Scheme came into force in 1971 and it was adopted by organisations of EPF Scheme, coal mines and Assam tea plantations. The fund is contributed equally by the employees, the employers and the Central Government and is treated as the claim of the Household sector. The total amount of

this fund is deposited with the Central Government.

Deposit Linked Insurance Fund

The Employees' Deposit Linked Insurance Scheme came into force with effect from August 1, 1976. Under this Scheme, contributions are made by the employers and the Central Government. Employees are not required to contribute to the insurance fund. The benefit of the Scheme is given to an employee, who is a member of the Scheme, only on his death during his membership and hence contributions to this fund are not treated as direct claim of the Household sector. The contributions received towards the fund are to be invested generally in (a) central government securities, (b) small savings and (c) special deposits with Central Government.

3.5.3. Private Corporate Business Sector

a) **Co-operative Non-Credit Societies**

The details about these societies pertaining to June 30, are published annually in *Statistical Statements relating to Co-operative Movement in India - Part II: Co-operative Non-Credit Societies*, by NABARD. As the details given in the *Statistical Statements* do not meet all the requirements for FOF accounts, sectoral classification of certain instruments is worked out on some assumptions. Most of the societies function at national, state, central and primary levels. The first three levels of societies are assumed to represent apex societies and will have transactions among themselves to a large extent. The primary societies have their business directly with the households besides their transactions with the apex societies.

b) **Non-Government Non-Financial Companies**

The RBI studies on finances of public and private limited companies form the basic source for the compilation of FOF accounts of this sub-sector. As the studies include only limited number of companies, the data presented therein are adjusted on the basis of the global paid-up capital of the public and the private limited companies, as released by DCA.

Paid-up Capital

The studies on company finances present total share capital with its breakup into paid-up capital and forfeited capital. As forfeited shares do not create any liability to the company, they are not included under financial FOF accounts but are shown along with reserves and surplus. Details of paid-up capital into ordinary, preference and bonus shares are also available. Bonus shares are shares issued by capitalization of reserves of the company whereas ordinary and preference shares are subscribed by various sectors. However, in FOF accounts, ordinary shares and preference shares are shown together. The amounts shown against ordinary and preference shares are exclusive of share application money and allotment money in respect of new shares that are included under current liabilities. The total paid-up capital including bonus shares is further segregated according to its ownership on the basis of the sectoral accounts, which report their investments in the shares of non-government non-financial companies.

Borrowings

The RBI studies on company finances provide details of borrowings, into: (i) banks, (ii) IFCI and SFCs, (iii) other institutional agencies (*i.e.*, Indian financial institutions like IDBI, ICICI, SIDCs, LIC and UTI and international institutions), (iv) government and semi-government agencies and (v) others. The last item 'others' includes the deposits accepted by the companies from the public. All deposits shown by the companies in their accounts under secured/unsecured loans only are covered under the head 'deposits', which exclude the deposits appearing under current liabilities of the companies.

Trade Dues and Other Current Liabilities

Under this head, the RBI studies on company finances publish the details on (i) sundry creditors, (ii) liabilities to subsidiary and holding companies, (iii) interest on loans and unclaimed dividends, (iv) deposits from customers, agents, etc. and (v) others. The first category includes liabilities for goods supplied, liabilities for

expenses and other finance. A similar item, 'sundry debtors' appears under assets.

It includes sale of goods on a deferred payments basis to various parties, such as, other non-government companies, government undertakings, partnership and proprietary concerns, the details of which are however not available. In the absence of any ownership particulars, it is assumed that the intra-corporate transactions are excluded by obtaining sundry creditors net of sundry debtors and the difference is taken as the amount received from/paid to the Household sector. The remaining components of this sub-head are shown as 'other current liabilities' and classified as items' not elsewhere classified ' under the instruments and 'sector not elsewhere classified' for the sectoral allocation.

Cash and Bank Balances

Cash in hand, deposits with commercial banks and deposits with post office savings banks are shown against this sub-head. As mentioned earlier for other sectors, cash in hand is split into bank notes and government notes. Deposits with commercial banks cover the fixed, current and other deposit accounts. Deposits with post office saving banks are shown under 'small savings'.

Investments

Investments by the companies in the RBI studies are classified into investment in foreign securities and in Indian securities. The former includes foreign government securities and other foreign securities inclusive of investments in foreign subsidiaries of Indian companies. Indian securities relate to all quoted securities, such as, government and semi-government securities, industrial securities, shares and debentures of subsidiary companies or companies in the same group or holding companies, and other investments. Industrial securities which include shares and debentures of joint stock companies and subsidiary/holding/same group companies are taken as intra-corporate investments.

Loans and Advances and Other Debit Balances

Loans and advances covered under this head include loans to subsidiary companies,

companies under the same group and holding companies, and others. All loans, other than to 'others', are intra-corporate loans and advances whereas loans to others are shown as 'sector not elsewhere classified' as no details are available.

3.5.4. Government Sector

The procedure adopted for the compilation of the accounts of each of the sub-sectors is described below:

a) Central Government

The document, *Economic and Functional Classification of the Central Government Budget* (hereafter referred to as the *Economic Classification*) published by the Department of Economic Affairs, Ministry of Finance, Government of India, forms the basic source of data to compile the accounts of this sub-sector. Unlike the case of financial institutions and corporate sector, for which the balance sheet data are available, the *Economic Classification* presents a set of six accounts reclassifying data given in the budget of the Central Government. Accounts 4 and 5 provide data on changes in financial liabilities and assets of the Central Government administration and its departmental commercial undertakings, such as, railways, posts and telegraphs, and defence. The *Economic Classification*, however, does not present the sectoral break-up of market loans, treasury bills, small savings, other types of borrowings, disbursement of funds through investments, and loans and advances. For arriving at the sectoral break-up of some of the government's sources and uses of funds, the information from various other sources is used. The sectoral particulars of these various items are given below:

Market Loans

Market loans consist of interest bearing loans, non-interest bearing loans, compensation bonds, other bonds and other loans. The amount of market loans published in the *Economic Classification* is exclusive of treasury bills that are funded into long-term securities. As such the amount of net market loans (gross receipts

minus repayments) is adjusted to include the funded treasury bills, the data on which are available in the *Explanatory Memorandum to the Central Government Budget*. On the basis of RBI survey on ownership of government debt, categories of ownership of market loans are worked out as follows: (i) RBI (own account), (ii) commercial banks, (iii) co-operative banks, (iv) financial corporations, (v) insurance, (vi) provident funds, (vii) joint stock companies, (viii) Central and State Governments, (ix) local authorities including port trusts, (x) state electricity boards and state road transport corporations, (xi) non-residents, (xii) households comprising individuals, trusts and RBI (on account of others), and (xiii) others.

Treasury Bills

The data on treasury bills (net) available in the *Economic Classification* include the amount of Treasury bills funded into long term securities. As explained under market loans, data on funded bills taken from the *Explanatory Memorandum to Central Government Budget*, are deducted from total treasury bills (net) to show the treasury bills excluding the amount of funded bills. Ownership particulars of these bills are available in the return received from the Department of Government and Bank Accounts (DGBA) of RBI.

External Debt

The *Economic Classification* presents gross borrowings of the Central Government from the Rest of the World and their repayments. It includes data on government's borrowings from various international financial organisations/agencies, foreign governments as also the special credits from oil exporting countries, and IMF trust fund loans. Gross borrowings *minus* repayments are shown as the net borrowings of the Central Government from the Rest of the World sector.

Small Savings

Small savings comprise savings deposits with post offices and savings certificates. These include post office savings bank deposits, cumulative time deposits, time deposits, national

saving certificates, national savings annuity certificates, national development bonds, etc. Their ownership details are derived on the basis of investing sectors' accounts. It is observed from the accounts that non-government provident funds, local authorities, and non-government non-financial companies invest in small savings. The residual, after deducting the investment of the above sectors in small savings, is assumed to have been invested by the Household sector.

Provident Fund

The provident fund of the employees of the Central Government and the amounts collected by the government from the public under the Public Provident Fund Scheme, 1968, are covered under this head. This is treated as a claim of the Household sector.

Deposits of Non-Government Provident Funds

The Central Government introduced the special deposit scheme in July 1975 to provide a better return to the non-government provident, superannuation and gratuity funds. These details are given in the *Economic Classification* and are treated as claims of the non-government provident fund sub-sector under the instrument, 'deposits - other deposits'.

Special Bearer Bonds

The *Economic Classification* also gives details of bonds issued under the voluntary disclosure scheme and special bearer bonds that are issued by the Central Government to mobilise additional resources. These are treated as claims of the Household sector on the government.

Other Debt

Miscellaneous capital receipts presented in the *Economic Classification* include various items, which are shown separately in FOF accounts. For example, 'postal insurance and life annuity fund' is classified as life insurance fund held by the Household sector. One rupee notes and coins represent the liability of the Central Government in the form of currency. The data on one rupee notes and coins are collected from the tables

relating to 'Money Stock Measures' published in the RBI Bulletin. The holding of one rupee notes and coins by RBI has been added to this amount for deriving the total liability of the Central Government under this head. The one rupee notes and coins are split-up into claims of various sectors using the estimated holdings of rupee coin and small coins as presented in each sector account. The detailed procedure of estimation is described in RBI sub-sector account. The residual of miscellaneous capital receipts after deducting the items separately shown in FOF accounts, is treated as part of other debt.

Investments

Account No. 4 of the *Economic Classification* presents data on changes in financial assets of the Central Government. This account provides details of investments into shares of government companies - financial and others - and other companies. Financial companies consist of banking institutions, financial corporations and insurance corporations in the public sector. Other companies of government relate to the non-financial non-departmental undertakings. Particulars of financial companies into the above three categories are obtained from their annual accounts and the publication *Public Enterprises Survey of the Bureau of Public Enterprises*, Ministry of Industry, Government of India. Other companies refer to non-government non-financial companies, which may belong to private and co-operative sectors, and also joint sector in which the Central Government's holding in the capital is less than 50 per cent. In the absence of details of other companies, these are shown against 'sector not elsewhere classified'.

Loans and Advances

Particulars of disbursement of loans and advances are given against (i) loans for capital formation and (ii) other loans. The repayments of loans to the Central Government are, however, shown only against States and union territories, and others. Institutional details of disbursement of loans for capital formation and other loans are available against (I) States and union territories, (ii) local authorities, (iii) non-

departmental commercial undertakings - financial and others, (iv) foreign governments and (v) others.

Cash Balances

The *Economic Classification* presents the total cash balances of the Central Government in its Account No. 6 as increase/decrease in cash balances. This head includes the cash in treasuries and deposits with RBI. However, cash with departmental offices (including Posts, Telecommunication, Defence and Railways) is not covered under this head. These details are obtained from the *Finance Accounts* of the Central Government. Further, total cash in treasuries and with departmental offices is split-up to show bank notes and government notes and coins.

Other Items

The data on subscriptions to international financial organisations and net purchase of domestic gold and silver are given in the *Economic Classification*. The former is shown as a claim on the 'Rest of the World' sector whereas the latter is shown as 'sector/item not elsewhere classified'. Cash with the India Supply Mission, SDRs at the IMF, and suspense account and remittance with the RBI are classified as deposits with the Rest of the World, investment in foreign securities (foreign exchange assets), and deposits with the RBI, respectively.

b) State Governments and Union Territories

The Combined Finance and Revenue Accounts (CFRA) of Union and State Governments in India published by the Comptroller and Auditor General of India, Government of India, provide data in respect of all State Governments. However, this publication is available with a considerable time lag. The primary data source for the CFRA is Finance Accounts of State Governments published by the Auditor General of each State. This publication is also available with a lag. Hence the basic source for this sub-sector's FOF accounts is the RBI study on finances of State Governments, prepared on the basis of State Government budgets. The

instrument-wise discussion of this sub-sector is presented below:

Market Loans

Market loans and bonds (covering current and expired loans) floated in the market by the State Governments, the various compensation bonds, housing bonds, etc. are covered under this head. The budget documents or the 'Finance Accounts' of the State Governments present only gross receipts and repayments of the market loans and bonds. The particulars of ownership are derived from the Statement on "Ownership of Central and State Government Securities", published in *the Report on Currency and Finance*, RBI for the period of this study.⁶ Investments in State Governments' securities from (i) cash balance investment account, (ii) sinking fund investment account, (iii) zamindari abolition fund account, and (iv) other accounts of the State Governments, are treated as intra-government investments.

Borrowings

Borrowings by way of (i) ways and means advances from RBI, (ii) overdrafts from RBI and (iii) loans and advances from banks, other institutions and Central Government are covered under this head.

Provident Funds and Others

This instrument known as unfunded debt, includes provident funds of State Government employees (titled as state provident funds), State insurance fund and others. State provident funds and insurance fund are treated as claims of the Household sector and shown separately. Receipts not of payments are reported here. The residual amount of unfunded debt is shown under 'sector/items not elsewhere classified' under sectoral/instrument-wise classification.

Cash Balances

The data on cash at treasuries, balances at RBI and other commercial banks are obtained from either CFRA or the Finance Accounts of each State Government. Amounts shown against (i) cash with departmental offices and (ii) permanent cash imprest are also included under cash

balances held by the State Governments' administration.

Loans & Advances

The RBI studies on 'Finances of State Governments' provide details on total loans and advances of all State Governments; but these are not sufficient for the purpose of FOF accounts. Therefore, details of disbursements and receipts of loans are culled out from the State budget documents for the following sub-sectors: (i) cooperative banks and credit societies, (ii) financial corporations, (iii) co-operative non-credit societies, (iv) non-governments, (v) housing boards, (vi) local authorities, (vii) state electricity boards, (viii) other non-departmental commercial undertakings of government, (ix) households and (x) others (unclassified).

c) Local Authorities

This sub-sector in principle should cover port trusts, municipal corporations, municipalities and panchayats. In the absence of data on local self-governments, the accounts of this sub-sector are prepared covering only the major port trusts (11 in number) on the basis of their *Annual Reports*.⁷

d) Non-Departmental Non-Financial Undertakings

This sub-sector covers all government non-financial companies owned either singly or jointly by Central, State or local governments, and State electricity boards. In the case of the companies owned by the Central Government, the data on their assets and liabilities are available in the *Public Enterprises Survey*. This publication covers companies under construction and running enterprises, which are promotional, financial and non-financial by their activity. However, the financial companies are not included in this sub-sector as they are covered in another sector *viz.*, 'Other Financial Institutions'. In the case of State electricity boards (including Damodar Valley Corporation), the necessary data are obtained from their *Annual Reports*. The methodology for Central and State Government companies is presented below:

Paid-up Capital

The *Public Enterprises Survey* (PES) provides the balance sheet data for Central Government running enterprises and companies under construction. The ownership details of the paid-up capital are available against the following heads: (i) Central Government, (ii) State Governments, (iii) holding companies, (iv) financial institutions (Indian), (v) foreign parties and (vi) others. Similar break-ups for State Government companies are estimated on the basis of past data.

Borrowings

As in the case of paid-up capital, sectoral borrowings in respect of Central Government companies, are drawn from a subsidiary statement on 'details of loans', which gives: (i) working capital loan from the Central Government and (ii) other borrowings from (a) Central Government, (b) State Governments, (c) holding companies, (d) foreign parties including deferred credit, (e) financial institutions and (f) others.

Current Liabilities and Provisions

Current liabilities are divided into (i) sundry creditors, (ii) liability to subsidiary and holding companies, (iii) deposits from customers, agents, etc. and (iv) other current liabilities. Sundry creditors are treated as trade credit, whereas the second item is an intra-government companies' transaction. Deposits from customers and other current liabilities are shown as other liabilities without allocating them to any specified sector. Miscellaneous non-current liabilities are also shown under 'unclassified sector' along with other liabilities.

Investments

The *Public Enterprises Survey* provides data on total investments excluding investment in subsidiary companies in the case of Central Government companies. The break-up of investments is worked out on the basis of RBI Study, into (i) government securities, (ii) semi-government securities, (iii) industrial securities, (iv) foreign securities, and (v) others.

Loans & Advances and Sundry Debtors

Details of loans and advances extended by Central and State Government companies, except those to their subsidiary and holding companies, are not available. Accordingly, the total amount under this head, other than loans to subsidiary and holding companies, is shown under 'unclassified sector'. The amount under sundry debtors is shown as trade debt and could not be allocated to any identifiable sector for want of details.

3.5.5. Rest of the World

Transactions of domestic sectors with foreign units that are effected through the medium of money and credit are recorded in the accounts of the Rest of the World. The RBI publishes statistics on India's overall balance of payments (BOP) classified into current and capital accounts. The BOP account records transactions in the form of credits or debits. While the former covers increase in liabilities and decrease in assets, the latter covers decrease in liabilities and increase in assets. Secondly, data are recorded on 'cash basis', as distinguished from 'accrual basis', that is, when inflow or outflow of money actually takes place across the boundary. Hence, the accounts do not show the entries on payable or receivables. In contrast to the BOP account, FOF accounts are constructed from the stand-point of the Rest of the World. As such, the credits and debits recorded in the BOP statistics will become debits and credits, respectively, for the Rest of the World. The capital account transactions are divided into three sectors, viz., (i) private, (ii) banking and (iii) official. The details of capital account transactions as obtained from the records of RBI are discussed below:

Private Capital

Transactions recorded under this category are presented under 'long-term' and 'short-term' capital. Flows relating to loans, investment in shares, and other assets are categorised as long term whereas the short-term capital covers mainly short-term borrowings and their repatriation. In FOF accounts, these flows are classified into deposits, loans, investments and

other miscellaneous transactions. In the BOP statistics, private capital also includes the transactions of ICICI and insurance companies, which, for the purpose of FOF accounts, are classified under 'Other Financial Institutions' sector. Besides, transactions in non-resident external rupee account and in various foreign currency non-resident accounts are recorded under miscellaneous receipts and payments of private capital. These are classified as deposits with commercial banks. Further, the private capital account includes investments by oil companies directly or through import of capital equipment in India without payment in cash. Since nationalisation of oil companies, transactions of these companies are included in the official sector. Thus, for the purpose of FOF accounts, private capital is classified into (a) banking sector, (b) private corporate sector, (c) other financial institutions, and (d) unidentified, against each type of instruments, viz., deposits, loans, investments, and others.

Banking Capital

'Banking capital' in the BOP accounts excludes RBI's transactions and corresponds to changes in the foreign assets and liabilities of banks/ financial institutions, which are authorised to deal in foreign exchange [known as Authorised Dealers (ADs)]. ADs' foreign exchange assets consist of (a) foreign currency holdings, and (b) rupee overdrafts to non-resident banks. Their foreign liabilities comprise (a) foreign currency liabilities, and (b) rupee liabilities to non-resident banks as well as official and semi-official institutions. From the Rest of the World's view point, ADs' foreign assets constitute its liabilities and ADs' foreign liabilities constitute its assets. 'Banking capital' is classified as deposits of the commercial banks in FOF accounts.

Official Capital

Capital account transactions of RBI, and Central and State Governments are covered here. These data are available under (i) loans, (ii) amortization, (iii) reserves, and (iv) miscellaneous. The coverage and classification of these items are explained below:

Loans

In the BOP statistics, credits reported against 'loans' comprise loans received by the Central and State Governments from foreign governments/international financial institutions, Trust Fund loans from IMF and other purchase (drawings) from IMF. Disbursement of official loans and credits extended to foreign governments and repurchases from the IMF are shown under 'debits'. Thus, the receipt of loans by India appears as an increase in assets for the Rest of the World, and India's disbursement of loans to foreign governments as a rise in liabilities for it. The transactions with IMF, namely, drawings and repurchases, which are shown as official loan receipts and repayments, are maintained under IMF Account No. 1 with RBI indicating liability of RBI. But Fund Account No. 1 is treated as liability of the government and is shown as loan to government in the FOF accounts. Such a problem is not faced with the Trust Fund loan from the IMF availed of in the 1970s, since it is not a purchase and is, therefore, shown as a loan to the government.

Amortization

The repayment of loans by the government is recorded as debits, and recovery of loans from foreign governments as credits under the head 'amortization'. From the Rest of the World sector's viewpoint, credits are shown as decrease in liabilities (loans) and debits as decrease in assets (loans). These transactions are shown against the Central Government for sectoral classification.

Reserves

Movements in reserves comprise change in official reserve holdings in foreign currencies, gold and Special Drawing Rights (SDRs). The data on foreign exchange assets held by RBI are recorded in the accounts of RBI; SDRs are held by the government.

Miscellaneous

This item covers all other capital transactions on government account whether long or short-term including the movements in rupee balances

held with RBI by non-resident governments, semi-government and international institutions.

3.5.6. Household Sector

As already mentioned earlier, all entities which could not be classified in the other five sectors described above, are placed under this sector. There is no independent balance sheet or asset and liability accounts for the household sector. However, the sources and uses of funds accounts for this sector are prepared indirectly by transferring the transactions identified in other 5 sectors against households to this sector accounts. In the process sources/uses of funds reported in other sectors become uses/sources of households. As described earlier, household holdings in different instruments or their liabilities are estimated either through surveys or as residual by netting the accounts of other organized sectors. The net uses of funds of the household sector, in effect, constitute the financial savings of the household sector. A brief description of the instrument-wise methodology for the household sector is presented below.

a. Uses of Funds Accounts

i) Currency

Drawn from sources of RBI and Government sectors. On the basis of past trends of currency holding of the household and non-household sectors, 93 per cent of 'currency with public' issued in a financial year is treated as household contribution.

ii) Commercial Bank Deposits

Sources of funds of commercial banks report Deposits and those estimated against households are shown under this item. Estimation procedure is described under 'commercial banks' accounts.

iii) Deposits with Co-operative Credit & Non-Credit Societies

i) Data are drawn from the accounts of these cooperatives described earlier. Deposits with primary societies are treated as household deposits.

ii) For other credit societies and co-operative banks, household deposits are estimated based on the ownership

- pattern of deposits, as obtained in additional returns by RBI.
- iii) Pending the availability of NABARD publication, deposits with co-operative banks and credit societies are estimated based on co-operative bank deposits, as available in RBI Section 42 return.
- iv) Household deposits with non-credit societies are estimated similarly.
- iv) *Deposits with Non-Banking Companies (NBCs)*
- 1) Household deposits with the NBCs excepting the electricity boards are directly obtained from the articles published in RBI Bulletin.
 - 2) Household share in security deposits with state electricity boards is worked out on the basis of household share in electricity consumption.
- v) *Trade Debt (Net)*
This item is drawn from sources of private corporate sector. It is estimated as change of trade dues in respect of sundry creditors minus change to sundry debtors.
- vi) *Shares & Debentures of Non-Government Companies*
- 1) Household investment in this instrument is drawn from sources of non-government private non-financial companies. Estimation procedure has been described there under Para 4.4.3.
 - 2) The household sector investment in shares and debentures of financial companies/co-operatives is also arrived at in a similar manner from accounts of other financial institutions sub-sector.
- vii) *Shares & Debentures of Co-operative banks and societies*
Share capital of co-operative banks, credit and non-credit societies contributed by individuals and others as obtained in NABARD publication is treated as household investment.
- viii) *Units of UTI & Other Mutual Funds*
This item appears under sources of financial corporations and companies. Figures reported against households are shown here. i) Household investment in units of Unit Trust of India (UTI) is obtained by applying the proportion of household sector (i.e. adults/individuals, minors, Hindu-Undivided Family and trust/society) in total sales, net of repurchases, to the increase in unit capital during the year.
- ii) Household investment in other mutual funds is obtained directly by RBI through a special return. In case required, household proportions worked out for the public sector mutual funds and UTI are made use of to arrive at the household investment in private mutual funds.
- ix) *Claims on Government*
Households claim on Government includes their investment in small savings and Government securities. Estimation of household investments is described in the central government sub-sector.
- x) *Life Insurance Funds*
This component cover life insurance fund reported under insurance sub-sector and postal/state insurance fund reported in government sector.
- xi) *Provident and Pension Funds*
Household savings in provident fund (PF) are drawn from the accounts (sources) of provident fund sub-sector and government sector. The coverage and procedure of estimation has been detailed in that section.
- b. *Sources of Funds Accounts*
Sources of funds mainly comprise households' borrowing from commercial banks, RBI, cooperative banks and credit societies, cooperative non-credit societies, other financial corporation and companies, government. These data are reported under 'loans and advances' under their uses of funds are transferred as 'sources' of funds for household sector. The procedure to estimate household borrowing from these has been described in the sub-sections.