

Chapter - 4

Chapter – 4

GROWTH, COMPOSITION AND FINANCIAL BURDEN OF INTERNAL DEBT OF GOVERNMENT OF INDIA

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Chapter – 4

GROWTH, COMPOSITION AND FINANCIAL BURDEN OF INTERNAL DEBT OF GOVERNMENT OF INDIA

4.1 Introduction

In the last chapter we have noticed that the deficit situation in the finances of the Government of India is rising as expenditure more so revenue expenditure is rising very fast. In the era of new economic policy to stabilize the domestic rate of impaction deficit financing or debt monetization is controlled and therefore one finds that the borrowings of the government are rising leading to growth of the debt liabilities of the Government of India. Compositionwise growth of internal debt is rapid and this leads to a vicious circle in movement finances wherein rising interest payments (committed expenditure) leads to rise in revenue expenditure leading to growth of non developmental expenditure and rise in revenue deficit which in turn leads to more debt financing. The rising interest costs are the financial burden which needs study. The present chapter attempts to study the growth, composition and rising interest burden of the internal debt of the Government of India.

Table 4.1
Outstanding Liabilities of Government of India

Rs. in crores

Year end March	Internal Debt	Of which Market Loans	Small Saving Deposits & Provident Fund	Other Accounts	Reserve Fund & Deposit	Total Domestic Liabilities (2+4+5+6)	External Liabilities	Total Liabilities (7+8)
1	2	3	4	5	6	7	8	9
1991-92	172750 (54.37) [28.5]	78023 ((45.17)) [11.9]	88682 ((21.93)) [10.7]	51818 ((16.31)) [7.9]	23485 ((7.38)) [3.6]	317741 (100) [48.6]	36948 - [5.7]	354682 - [54.3]
1992-93	199100 (55.36) [26.6]	81693 ((41.03)) [10.9]	77005 ((21.41)) [10.3]	59797 ((16.63)) [8.0]	23753 ((6.60)) [3.2]	359655 (100) [48.1]	42269 - [5.6]	401924 - [53.7]
1993-94	245712 (57.08) [28.6]	110611 ((45.02)) [12.9]	87877 (20.41)) [10.2]	72477 ((16.63)) [8.4]	24556 ((5.70)) [2.9]	430623 (100) [50.1]	47345 - [5.5]	477968 - [55.6]
1994-95	268467 (54.64) [26.3]	130906 ((49.13)) [12.9]	106435 (21.82)) [10.5]	85787 ((17.59)) [8.5]	26993 ((5.95)) [2.9]	487682 (100) [48.2]	50929 - [5.0]	538611 - [53.2]
1995-96	307869 (55.47) [25.9]	163986 ((53.26)) [13.8]	121425 (21.88)) [10.2]	92010 ((16.58)) [7.7]	33680 ((6.07)) [2.8]	554963 (100) [46.7]	51249 - [4.3]	606232 - [51.8]
1996-97	344476 (55.43) [25.2]	184101 ((53.44)) [13.5]	138955 ((22.36)) [10.2]	100088 ((16.11)) [7.3]	37919 ((6.10)) [2.8]	621437 (100) [45.4]	54239 - [4.3]	675676 - [49.4]
1997-98	388996 (53.81) [25.5]	216598 ((56.68)) [14.2]	167780 (23.21)) [11.0]	124087 ((17.16)) [8.1]	42097 ((5.82)) [2.8]	722962 (100) [47.5]	55332 - [3.6]	778294 - [51.1]
1998-99	459696 (55.08) [26.4]	285585 ((62.12)) [16.4]	206458 (24.74)) [11.9]	126802 (5.19)) [7.3]	41595 ((4.98)) [2.4]	834552 (100) [47.9]	57254 - [3.3]	891806 - [51.2]
1999-2000	714254# (74.20) [36.9]	355862 ((49.82)) [18.4]	66406# (6.90)) [3.4]	134425 ((13.96)) [6.9]	47508 ((4.94)) [2.5]	962592 (100) [49.7]	58437 - [3.0]	1021029 - [52.7]
2000-01	803696 (72.89) [38.2]	428793 ((53.35)) [20.4]	96344 (8.74)) [4.6]	144020 ((13.06)) [6.8]	58535 ((5.31)) [2.8]	1102597 (100) [52.4]	65945 - [3.1]	1168542 - [55.5]
2001-02	913081 (70.51) [39.8]	516517 ((56.57)) [22.5]	144511 ((11.16)) [6.3]	164157 ((12.68)) [7.1]	73133 ((5.65)) [3.2]	1294862 (100) [58.4]	71546 - [3.1]	1561875 - [59.5]
2002-03 (Revised)	1037183 (68.95) [42.1]	621470 ((59.92)) [25.2]	203560 ((13.53)) [8.3]	177467 ((11.80)) [7.2]	86035 ((5.72)) [3.5]	1504225 (100) [61.0]	57850 - [2.3]	1780064 - [63.3]
CGR	18.28	21.52	-	11.39	12.51	15.01	4.66	15.30

Note: CGR = Compound Growth Rate

Figures in Round Brackets are % of Total Domestic Liabilities

Figures in (()) Brackets are % of Internal Debt

Figures in Square Brackets are % of GDP

Source: As per Table No. 3.1

4.2 Analysis of Outstanding Liabilities of Government of India

The role of modern government increased by manifold with rising activities as the activities of the government are growing the need for the revenue creation is increasing, and if the government fails to create as much as resources to finance these activities it takes loans. These liabilities of the government are shown in the table No. 4.1.

Total liabilities of Government of India consist of total domestic liabilities and external liabilities total outstanding liabilities of Government of India, showing a continuous trend of increasing. In 1991-92, it was Rs. 354662 crores, it enhanced to Rs. 675676 crores in 1996-97 and reached to Rs. 1780064 crores in the year 2002-03. This was almost increased by 5.2 times in 12 years of study. The compound growth rate of total liabilities is 15.30 percent.

Total domestic liabilities and external liabilities are the part of total liabilities. Among these two, total domestic liabilities have larger share. It was Rs. 317741 crores in 1991-92 increased to Rs. 621437 crores in 1996-97 and finally reached to Rs. 1504225 crores in 2002-03. This means that total domestic liabilities showing continuous trend of increasing the external liabilities also rising continuously except last year. It was Rs. 36948 crores in 1991-92, it enhanced to Rs. 54239 crores in 1996-97, first six years of study. In 1997-98 it stands to Rs. 55332 crores and reached to Rs. 71546 crores in 2001-02. But in the last year it decline to Rs. 57850 crores. Within the period of 12 years total domestic

liabilities increased by 4.73 times on the other hand external liabilities increased by 1.57 times. The external liabilities grown at the compound growth rate of 4.66 percent while of total domestic liabilities has grown at 4.66 percent.

Total domestic liabilities consist of internal debt which increased from Rs. 172750 crores in 1991-92 to Rs. 344476 crores in 1996-97. The year 1999-2000 remark sudden increase in total internal debt, this reached to Rs. 1037163 crores in last year, the percentage share of internal debt in total domestic liabilities showing fluctuating trend. It was 54.37 percent in 1991-92 increased to 57.06 percent in 1993-94 and reached to 77.20 percent in 1999-2000. Finally, in the last year it stands at 68.95 percent. The compound growth rate of internal debt is 18.26 percent.

Internal public debt comprise of market loans, small saving deposit and provident fund, other account and reserve fund and deposits. Among these four items of internal debt market loan comprise a big part. This was almost increased by 7.97 times in 12 years period of study. This was Rs. 78023 crores in 1991-92 reached to Rs. 138955 crores in 1996-97 and Rs. 621470 crores in 2002-03. The percentage share of market loans in internal debt was fluctuating. It was 45.17 percent in 1991-92, decline in next year to 41.03. From the year 1993-94 to 1998-99 it is increasing from 45.02 percent to 62.12 percent. Thereafter it declines from 49.82 to 59.92 percent in last three years.

The second major item of internal debt small savings deposits and provident fund, it was Rs. 69682 crores in 1991-92 enhanced to Rs. 206458 crores in 1998-99. The year 1999-2000 and 2001-02 remarks a sudden decrease in it i. e. Rs. 66406 crores in 1999-2000 and Rs. 96344 crores in 2000-01 and finally reached to Rs. 263560 crores in 2002-03. The percentage share of it in internal debt stand to 21.93 percent in 1991-92 decreased to 13.53 percent in 2002-03. The year 1999-2000 and 2001-02 marks much more decrease in it.

Other accounts consist third major part in internal debt. This is showing continuous trend of rising from Rs. 51818 crores in 1991-92 to Rs. 177467 crores in 2002-03. The percentage share of it was 16.31 in 1991-92 comes down to 11.80 percent with much more fluctuations.

The fourth item of internal debt is reserve fund and deposits. It was Rs. 23465 crores in 1991-92, enhanced to Rs. 37919 crores in first six years and then reached to Rs. 86035 crores in last six years. The percent share of it was 7.38 in 1991-92, 6.10 percent in 1996-97 and 5.72 percent in 2002-03.

The compound growth of market loans is 21.52 percent, small savings and deposits of other account is 11.39 percent and of reserve fund and deposit is 12.51 percent.

4.3 Note on Market Borrowing

Market borrowings are very important component of Internal Debt and also contributes major share in it. Likewise central government, state government also borrows in open market. The Constitution of India gives a sole right to centre to borrow externally with a view to avoid adverse economic and political consequence arising from the freedom of the states to borrow from abroad. In such a situation, where state always face a deficiency of funds or resources, market borrowing play a dominant role in fulfilling the gap of need availability. Even though there are certain limitations on the internal borrowing of state government i. e.

1. as may be imposed by state legislature
2. That if the Central government has guaranteed an outstanding loan of the state.

In India, Reserve Bank of India keeps Central and State governments funds and coordinates the borrowings of the Centre and State government. Again it floats all state government loans. Reserve Bank of India consults with Planning Commission and the Union Ministry of Finance for deciding the state government's market borrowings but it is totally controlled by Central government. This is because –

1. Most of the State Governments are indebted to the Centre and therefore ought to take a prior permission of the Central government to borrow from the public.

2. another important reason, that Indian capital market is not well developed and most of the financial institutions which mobilise public savings from investment in various assets are owned or controlled by Central government. Thus, due to this when any state government borrows from such financial institution has to comply with the policy of central government.
3. Again the Reserve Bank of India is also controlled by Central government.

Hence, we can conclude that, market borrowings by States in India, controlled by Central government and guided by Reserve Bank of India.

Sharing of Funds

In India, Department of Expenditure, Ministry of Finance of Central government provides information regarding availability of loans. But the amount and sharing of funds raised through market borrowing of Centre and State is jointly decided by Planning Commission, Ministry of Finance and Reserve bank of India. The criteria which take into granted by them, for sharing of sources is resource position of state and central government and the plan programmes and projects to be implemented by them.

But regarding the sharing of funds between state and centre through market borrowings no any definite criteria used and there is also absence of consultation with the states and their planning department. And this has become a ground for complain by the states.

Table 4.2
Market Borrowing by the Central Government (Recent Trends)

Rs. in crores			
Year	2004-05 (BE)	2003-04 (+)	2002-03 (+)
Total Borrowing	192888 ((100))	198147 ((100))	182298 ((100))
Central Government's Borrowing (A+ B)	150817 ((78.19))	147636 ((74.50))	151126 ((82.90))
A. Dated Securities	124817 (82.76)	121500 (82.30)	125000 (82.71)
B. 364 Days Treasury Bills	26000 (17.14)	26136 (17.70)	26126 (17.29)

Note : BE = Budget Estimates + = Actual as per the Reserve Banks Records

Figures in Double Round Brackets are % of Total Borrowing

Figures in single Round Brackets are % of Central Governments Borrowing

Source: Central Government Budget Documents and Reserve Banks Records

The market borrowings in the coming year are given in the table No. 4.2. Total borrowings of Government of India stands to Rs. 182298 crores in 2002-03, it enhanced to Rs. 198147 crores and finally reached to Rs. 192888 crores in 2004-05.

Among the total borrowing the Central Governments borrowings was Rs. 151126 crores in 2002-03 and Rs. 147636 crores in 2002-04 and may reached to Rs. 150817 crores in 2004-05, the percentage share of Central Governments borrowings in total borrowings showing decreasing trend. It was 82.90 percent in 2002-03 and declined to 74.50 percent in 2003-04 and may reach to 78.19 percent in 2004-05.

Dated securities and 364 days treasury bills are major items of borrowings of Central Government. Among them dated securities have highest share, Rs. 125000 crores in 2002-03 and Rs. 121500 crores in 2003-04 and may reach to Rs. 124317 crores in 2004-05. The percentage share of dated securities in Central Governments borrowings stands at 82.71 percent in 2002-03, 82.30 percent in 2003-04 and 82.76 percent in 2004-05. The other 364 days treasury bills in Central Governments borrowings was Rs. 26126 crores in 2002-03 and enhanced to Rs. 26136 crores and may reach to Rs. 26000 crores in the year 2004-05. Its percentage share was 17.29 percent in 2002-03, 17.70 percent in 2003-04 and may be 17.14 percent in 2004-05.

Table 4.3
Profile of Treasury Bills of Government of India
a) GROSS ISSUES

Rs. in crores

Years	14 Days Treasury Bills	91 Days Treasury Bills	182 Days Treasury Bills	364 Days Treasury Bills	Total
1997-98	69237 (70.16)	13200 (13.38)	-	16247 (16.46)	98684 (100)
1998-99	18150 (40.29)	10697 (37.07)	-	10200 (22.64)	45047 (100)
1999-2000	16453 (40.62)	8155 (20.13)	2900 (7.16)	13000 (32.09)	40508 (100)
2000-01	10480 (29.58)	7355 (20.76)	2600 (7.34)	15000 (42.33)	35435 (100)
2001-02	1100 (2.67)	20216 (49.06)	300 (0.73)	19588 (47.54)	41204 (100)
2002-03	-	26402 (50.26)	-	26126 (49.74)	52528 (100)

b) NET ISSUES

Years	14 Days Treasury Bills	91 Days Treasury Bills	182 Days Treasury Bills	364 Days Treasury Bills	Total
1997-98	240 (5.79)	- 4100 (- 98.89)	-	8006 (193.10)	4146 (100)
1998-99	- 40 (0.65)	- 100 (1.62)	-	- 6047 (97.74)	- 6187 (100)
1999-2000	125 (2.94)	20 (0.47)	1300 (30.62)	2800 (65.96)	4245 (100)
2000-01	- 25 (- 1.09)	310 (13.57)	-	2000 (87.53)	2285 (100)
2001-02	- 300 (- 4.87)	3171 (51.49)	- 1300 (- 21.11)	4588 (74.49)	6159 (100)
2002-03	-	4626 (41.44)	-	6538 (58.56)	11164 (100)

c) OUTSTANDING AT PERIOD END

Years	14 Days Treasury Bills	91 Days Treasury Bills	182 Days Treasury Bills	364 Days Treasury Bills	Total
1997-98	240 (1.33)	1600 (8.85)	-	16247 (89.83)	18087 (100)
1998-99	200 (1.68)	1500 (12.61)	-	10200 (85.71)	11900 (100)
1999-2000	325 (2.01)	1520 (9.41)	-	13000 (80.52)	16145 (100)
2000-01	300 (1.63)	1830 (9.93)	1300 (8.05)	15000 (81.39)	18430 (100)
2001-02	-	5001 (20.34)	-	19588 (79.66)	24589 (100)
2002-03	-	9627 (26.93)	-	26126 (73.07)	35753 (100)

Note: 1) Non competitive bids allowed to certain entities like State Government result in the difference between actual amount issued and outstanding.

2) Auction of 14 day and 18 day treasury bills were discontinued from the week beginning May 14, 2001

Source: As per Table No. 3.1



Table No. 4.3 shows the profile of Treasury Bills. The gross issue of treasury bills (14 days + 91 days + 182 days + 364 days) stands at Rs. 98684 crores in 1991-92 and then decline continuously. In 1998-99 it was Rs. 45047 crores and Rs. 35435 crores in 2000-01. This enhanced to Rs. 52528 crores in last year.

The 14 days treasury bills share was high in 1997-98 was Rs. 69237 crores and thereafter decline continuously as with NEP government medium term borrowing increases. It was Rs. 18150 crores in 1998-99 and decline upto Rs. 1100 crores in 2001-02. The percentage share of it in total was 70.16 percent in 1997-98, 40.29 percent in 1998-99 and declined to 2.67 percent in 2001-02.

The share of 91 days treasury bills showing fluctuating trend. In 1997-98 it was Rs. 13200 crores, then declined to Rs. 16697 crores in next year. It stands to Rs. 7355 crores in 2001-02 and again increases in last two years i. e. Rs. 20216 crores and Rs. 26402 crores in 2001-02 and 2002-03 respectively.

182 days treasury bills stands at Rs. 2900 crores in 1999-2000, Rs. 2600 in 2000-01 and only just Rs. 300 crores in 2001-02. The percentage share of it was 7.16 percent in 1999-2000, 7.34 percent in 2001-02 and 0.73 percent in 2001-02.

The share of 364 days treasury bills showing a rising trend. This was Rs. 16247 crores in 1997-98, Rs. 13000 crores in 1999-2000 and Rs. 26126 crores in 2002-03. The percentage share of it in total also increasing from 16.46 percent in 1997-98 to 49.79 percent in 2002-03.

The net issue of treasury bills was of Rs. 4146 crores in 1997-98, increased in the next year to 61.87 crores. The year 1999-2000 and 2001-02 showing decline in it. Again it increased to Rs. 6159 crores and Rs. 11164 crores in 2001-02 and 2003-03 respectively.

The net issue of 14 days treasury bills stands at Rs. 240 crores in 1997-98 increased to Rs. 300 crores in 2002-03. The net issue of 91 days treasury bills stands at Rs. 4100 in 1997-98, it was only Rs. 20 crores in 1999-2000 and finally reached to Rs. 4626 crores in 2002-03. The net issue of 182 days treasury bills stands to Rs. 1300 crores in 1999-2000 again stands at Rs. 1300 crores in 2001-02. The net issue of treasury bills showing ups and downs. This was Rs. 8006 crores came down to Rs. 2000 crores in 2001-02 and then Rs. 6538 crores in 2002-03.

Outstanding of Government of India increased from Rs. 18087 crores in 1997-98 and reached to Rs. 35753 crores in last year i. e. 2002-03. Outstanding of 14 days treasury bills was Rs. 240 crores in 1997-98, declined in next year to Rs. 200 crores. It was Rs. 325 crores in 1999-2000 and Rs. 300 in 2001-02. Outstanding of 91 days treasury bills was Rs. 1600 crores in 1997-98. This decline to Rs. 1500 crores and

Rs. 1520 crores in next two years and thereafter again showing the increasing trend. The outstanding of 182 days treasury bills stand at stable position of Rs.1300 crores in 1999-2000 and 2001-02. Outstanding of 364 days treasury bills was Rs. 16247 crores in 1997-98 with some ups and down reached to Rs. 26126 crores in 2002-03.

Table 4.4
Profile of Central Government Dated Securities

Years	Gross Borrowing	Repayment
1997-98	43390 (100)	10903 (25.13)
1998-99	83753 (100)	14803 (17.67)
1999-2000	86630 (100)	16353 (18.88)
2000-01	100183 (100)	28396 (28.34)
2001-02	114213 (100)	26499 (23.20)
2002-03	125000 (100)	27420 (21.94)

Source: As per Table No. 4.3

Table No. 4.4 gives the detail of Central Government Dated Securities. The gross borrowings of Central Government stands at Rs. 43390 crores in 1997-98, jumped to Rs. 83753 crores in next year. In 1999-2000 this was Rs. 86630 crores and Rs. 12500 crores in 2002-03.

The repayment as share of gross borrowings is Rs. 10903 crores in 1997-98, decline in next two years i. e. 1998-99 and 1999-2000 to 17.67 and 18.88 percent respectively. The year 2000-01 shown again

increase in it of 28.34 percent and further decline to 23.20 percent and 21.94 percent in 2001-02 and 2002-03 respectively.

Table 4.5
Maturity Distribution Amount

Rs. in crores

Years	Upto 5 years	Above 5 and upto 10 years	Above 10 years
1997-98	16704 (36.87)	26686 (63.13)	-
1998-99	26399 (31.52)	46030 (54.96)	11324 (13.52)
1999-2000	-	30000 (35.00)	56630 (65.00)
2000-01	12500 (12.48)	35000 (34.94)	52683 (52.58)
2001-02	2000 (2.0)	16000 (14.0)	96213 (84.0)
2002-03	-	45000 (36.0)	79200 (64)

Source: As per Table No. 4.3

Government borrows internally and externally. The borrowed amount have a maturity period. This means this is the liability of government to pay the borrowed amount after the maturity. The maturity periods are divided into three -

Upto 5 years

Above 5 and upto 10 years

Above 10 years.

The repayment amount after 5 years stands at Rs. 16704 crores in 1997-98, Rs. 26399 crores in 1998-99. Further this decline to Rs. 12500 crores in 2000-01 and Rs. 2000 crores in 2001-02.

The repayment amount ranging between 5 and 10 years, was Rs. 26686 crores in 1997-98, enhanced to Rs. 46030 crores in 1998-99 and showing a trend of declining. The percentage share of it was 63.13 in 1997-98, 55.00 in 1999-2000 and 36 percent in 2002-03.

The repayment amount above 10 years stand to Rs. 11324 crores in 1998-99 jumped to highest level of Rs. 96213 crores in 2001-02 and then decline to Rs. 79200 crores in 2002-03. The percentage share of it was 13.52 in 1998-99, further reached to 84 percent in 2001-02 and 64 percent in 2002-03.

Table 4.6
Yield (percent) Maturity Distributionwise

Years	Less than 10 years		10 years		Above 10 years	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1997-98	10.85	12.69	12.15	13.05	-	-
1998-99	11.1	11.98	11.7	12.25	12.25	12.6
1999-2000	10.72	11.74	11.48	11.99	10.76	12.45
2000-01	9.47	11.69	11.3	11.3	10.47	11.7
2001-02	6.98	9.81	9.39	9.39	7.18	11
2002-03	6.57	7.72	6.72	8.14	6.05	8.62

Source: As per Table No. 4.3

Table No. 4.6 showing the yield (percent) maturity distribution.

This is divided into 3 parts.

- a) less than 10 year
- b) 10 years
- c) above 10 years.

Again these divided into minimum and maximum amount. The yield of maturities of less than 10 years was minimum 10.85 percent and 12.69 percent is maximum. In 1999-2000 the minimum yield was 10.72 percent and maximum was 11.74 percent. By declining continuously it reached to 6.57 percent at minimum and 7.72 percent at maximum level in 2002-03.

The yield of maturities of 10 years stands at 12.15 percent as minimum and 13.05 percent as maximum in 1997-98. it was minimum 11.48 percent and maximum 11.99 percent during 1999-2000. Finally it reached to minimum level of 6.72 percent and maximum level of 8.14 percent in 2002-03.

The yield of maturities above 10 years was minimum 12.25 percent and maximum 12.6 percent in 1992-93. By declining continuously it reached to minimum level of 6.05 percent and maximum level of 8.62 percent in 2002-03.

4.4 Profile of Treasury Bills and Dated Securities and Maturity Distribution Amount of Government of India

Government of India borrows internally and externally. Internally government borrows for short term as well as for long term. Issuing of treasury bills is the nature of short term borrowing. This includes treasury bills issued by the Government of India to the Reserve Bank, State Government, Commercial Banks and other financial institutions.

Treasury Bills are divided into 4 broad categories viz.

- i) 14 Day Treasury Bills
- ii) 91 Day Treasury Bills
- iii) 182 Day Treasury Bills
- iv) 364 Day Treasury Bills

Among these four, Reserve Bank of India decided to hold auctions of 182 days treasury bills on fortnightly basis effective from May 26, 1999.

4.5 Financial Burden of Rising Internal Public Debt

Compositionwise growth of internal debt rapid and this leads to a vicious circle in Government finances. Wherein rising interest payment (committed expenditure) leads to rise in revenue expenditure, leading to growth of non developmental expenditure and rise in revenue deficit which in turn leads to more debt financing. The rising interest costs are the financial burden which needs study. This burden can be studied under following headings.

Gross and Net Interest Payment of Government of India

Interest Payment as Percentage of Revenue Expenditure

Interest Payment as Percentage of Revenue Receipts

Table 4.7
Gross and Net Interest Payment of Government of India

Rs. in crores

Year	Interest Received	Gross Interest Payment	Net Interest (2 - 1)
1991-92	10933	26596	15663
1992-93	12487	31075	18588
1993-94	15078	36741	21663
1994-95	15793	44060	28267
1995-96	18419	50045	31626
1996-97	22106	59478	37372
1997-98	25323	65637	40314
1998-99	30076	77882	47806
1999-2000	33895	90249	56354
2000-01	32811	99314	66503
2001-02	35515	107460	71945
2002-03 (Revised)	40571	115994	75243
CGR	12.90	14.75	15.85

Note: CGR = Compound Growth Rate

Source: As per Table No. 3.1

Table No. 4.7 showing the gross and net interest payment of Government of India for the year 1991-92 to 2002-03. Above data shows that gross interest payment amount is always more than interest received. Gross interest payment amount stand at Rs. 26596 crores in 1991-92 increased to Rs. 59478 crores in 1996-97. The year 1998-99 and 1999-2000 showing a jumping trend in it. Finally it goes to Rs.115994 crores in 2002-03.

On the other side, the interest received amount stands to Rs. 10933 crores in 1991-92 increased upto Rs. 33895 crores in 1999-2000. But in next year it declined to Rs. 32811 crores and again showing a trend of rising. The net interest i. e. interest payment minus interest received shows the net liability of government. It was Rs.15663 crores in 1991-92 increased to Rs. 37372 crores in first six years and Rs. 75243 crores in 2002-03.

Table 4.8
Interest Payment as % of Revenue Expenditure

Rs. in crores		
Year	Interest Payment	Revenue Expenditure
1991-92	26595 (32.32)	82292 (100)
1992-93	31075 (33.52)	92702 (100)
1993-94	38741 (33.97)	108169 (100)
1994-95	44060 (36.08)	122112 (100)
1995-96	50045 (35.78)	139860 (100)
1996-97	59478 (37.42)	158933 (100)
1997-98	65637 (36.39)	180350 (100)
1998-99	77882 (35.82)	217419 (100)
1999-2000	90249 (36.23)	249078 (100)
2000-01	99314 (35.78)	277853 (100)
2001-02	107460 (35.63)	301611 (100)
2002-03 (Revised)	115994 (33.95)	341678 (100)
CGR	14.75	14.17

Source: As per Table No. 3.1

The ratio of interest payment to the public expenditure is one of the important tool for the assessment of burden of public debt in the economy. The share of public debt services in the overall public expenditure is increasing year after year.

Revenue expenditure of Government of India rising with rising activities. Among the various items which cause rising revenue expenditure interest payment is important one.

Table No. 4.8 shows the interest payment as percentage of revenue expenditure. The revenue expenditure of Government of India rising rapidly. It was Rs. 82292 crores in 1991-92, enhanced to Rs. 158933 crores in 1996-97 and Rs. 341678 crores in 2002-03.

The interest payment also increasing rapidly with rising expenditure. This stands to Rs. 26596 crores in 1991-92 reached to Rs. 59478 crores in 1996-97 and finally reached to Rs. 115994 crores in last year i. e. 20-02-03. The percentage share of it in revenue expenditure fluctuating. It was 32.32 percent in the year 1991-92 reached to 36.08 percent in 1994-95. Next year i. e. in 1995-96 showing a somewhat decline in it, finally it reached to 33.95 percent with fluctuation.

Revenue expenditure has grown at the compound growth of 14.17 percent while interest payment has grown at 14.75 percent.

Table 4.9
Interest Payment as % of Revenue Receipts

Rs. in crores

Year	Interest Payment	Revenue Receipts
1991-92	26598 (40.28)	66031 (100)
1992-93	31075 (41.92)	74128 (100)
1993-94	36741 (48.69)	75453 (100)
1994-95	44060 (48.37)	91083 (100)
1995-96	50045 (45.44)	110130 (100)
1996-97	59478 (47.10)	126279 (100)
1997-98	65637 (49.02)	133901 (100)
1998-99	77882 (52.10)	149485 (100)
1999-2000	90249 (49.72)	181513 (100)
2000-01	99314 (51.56)	192624 (100)
2001-02	107460 (53.34)	201449 (100)
2002-03 (Revised)	115994 (48.96)	236936 (100)
CGR	14.75	12.64

Source: As per Table No. 3.1

The burden of public debt services compiles the government to increase the rate of taxation. Certain portion of tax revenue is spend on the debt services. Therefore the interest paid on public debt and the total tax revenue is significant major to examine the burden of public debt on economy.

The Table No. 4.9 shows the interest payment as percentage of revenue receipts of Government of India. The ratio of public debt interest paid to total revenue receipts in 1991-92 stood at 40.28 percent, 47.20 percent in 1996-97 and 48.96 percent in 2002-03. Interest payment in 1990-91 was of amounting Rs. 26596 crores and revenue receipts Rs. 66031 crores respectively. While interest payment and revenue receipts was Rs. 59478 crores and Rs. 126279 crores in 1996-97. Further in 2002-03 it was recorded to Rs. 115994 crores as against the revenue receipts of Rs. 236936 crores.

The compound growth rate of revenue receipt is 12.64 percent and of interest payment was 14.75 percent.

The above analysis implies that the burden of internal public debt is moving towards upward direction. This burden can be relieved to some extent if the resources transferred to public debt are utilised in the useful manner.

Conclusion

Since Independence, there is rapid increase in the public debt which is subject of great controversy among various institutions like Parliament, State Legislature, Public Account Committee and Estimated committee. They all stressed that the need for fixing a statutory limit to the internal as well as external borrowings. Eventhough the Article 292 of Indian constitution has empowered the Parliament to fix the statutory limit, but no act has been enacted so far.