

Chapter 7

MANAGEMENT OF PUBLIC ACCOUNT

Public Account Receipts

7.1 The public account consists of the NSSF, provident funds, insurance funds, pension funds, deposits and advances, and suspense accounts; and carries forward its balances annually. Some reserve funds within it bear interest and some do not. The Government is the custodian, not the owner, of the moneys in the public account. It does, however, utilize the available surplus to the public account to meet its expenditure requirement, which adds to government's aggregate liability.

7.2 In recent years, the Union government has been drawing progressively larger amounts from the public account. Prudent management of the public account would require better certitude in projections of additions to the concerned funds, repayment/interest payments from out of these funds, and the cost of borrowing, holding, and administering these funds. As the net increment to public account balance provides funds rather automatically, the government needs to administer the utilization of withdrawals from it in a manner that returns, at the least, balance the costs.

Major Components of the Public Account: Growth Profile

Largely, small savings and provident funds helped the government to finance a significant part of its fiscal deficit.

7.3 Table 7.1 presents the growth profile of small saving during 1990-91 to 1998-99. The changes in 1999-00, with the NSSF, are outlined in Table 7.3. It indicates that the annual addition to the small savings has been growing at the TGR at 16.27 percent per annum. The annual addition in 1998-99 was Rs 54829 crore amounting to 3.12 percent of the GDP. The proportion of this annual addition that goes for repayment has varied between 24.84 percent and 50.37 percent during the period 1990-91 to 1998-99.

Table 7.1: Growth of Small Savings

<i>Rs in crore</i>						
Year	Opening balance	Addition	Repayment of principal	Addition net of repayment	Net addition as % of total addition	Closing balance
1990-91	41791	17666	9357	8309	47.03	50100
1991-92	50100	17251	11597	5654	32.77	55755
1992-93	55755	17605	13232	4373	24.84	60127
1993-94	60127	24731	17574	7157	28.94	67285
1994-95	67284	34438	20012	14426	41.89	81710
1995-96	81710	32810	22734	10076	30.71	91786
1996-97	91786	33339	21197	12142	36.42	103928
1997-98	103928	46194	25785	20409	44.18	124337
1998-99	124337	54829	27209	27620	50.37	151957
TGR	13.99	16.27	14.01	20.20	3.38	14.74
<i>Percent to GDP</i>						
1990-91	7.35	3.11	1.65	1.46		8.81
1991-92	7.67	2.64	1.78	0.87		8.53
1992-93	7.46	2.36	1.77	0.59		8.04
1993-94	7.00	2.88	2.05	0.83		7.83
1994-95	6.66	3.41	1.98	1.43		8.09
1995-96	6.91	2.78	1.92	0.85		7.77
1996-97	6.74	2.45	1.56	0.89		7.63
1997-98	6.86	3.05	1.70	1.35		8.20
1998-99	7.07	3.12	1.55	1.57		8.64

7.4 Two features are especially noticeable in the growth profile of small savings: one, there has been a considerable rise in the net addition to small savings since 1996-97; secondly, nearly 1.57 percent of the GDP came from the net addition to small savings to the fiscal rescue of the government during the last year under the old system.

7.5 Table 7.2 outlines the pattern of growth in the balances of the provident funds. The period covered is 1990-91 to 1998-99. In 1999-00, the PPF went into the NSSF, and the state provident funds remained under the old arrangement. Flows for these are separately shown in Table 7.2, while the position of the PPF is shown in Table 7.3. The annual addition to the provident funds has grown at the TGR of 19.96 percent whereas the repayments show a TGR of 16.94 percent over 1990-91 to 1998-99. Resultantly, the net addition has grown at a higher trend rate of 22.71 percent.

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In recent years, the net addition as percentage of total addition has gone up significantly. This ratio was 47.51 percent in 1990-91. By 1998-99 it increased to nearly 59 percent.

Table 7.2: Growth of Provident Funds

<i>Rs in crore</i>						
Year	Opening balance	Addition	Repayment of principal	Addition net of repayment	Net addition as % of total addition	Closing balance
1990-91	9669	4212	2211	2001	47.51	11670
1991-92	11670	4797	2539	2258	47.07	13927
1992-93	13925	5886	2934	2952	50.15	16877
1993-94	16876	7133	3417	3716	52.10	20592
1994-95	20592	8141	4008	4133	50.77	24725
1995-96	24721	9561	4643	4918	51.44	29639
1996-97	29611	11130	5714	5416	48.66	35027
1997-98	35026	14755	6339	8416	57.04	43442
1998-99	43440	18784	7723	11061	58.89	54501
TGR	20.52	19.96	16.94	22.71	2.30	20.93
<i>Percent to GDP</i>						
1990-91	1.70	0.74	0.39	0.35		2.05
1991-92	1.79	0.73	0.39	0.35		2.13
1992-93	1.86	0.79	0.39	0.39		2.26
1993-94	1.96	0.83	0.40	0.43		2.40
1994-95	2.04	0.81	0.40	0.41		2.45
1995-96	2.09	0.81	0.39	0.42		2.51
1996-97	2.17	0.82	0.42	0.40		2.57
1997-98	2.31	0.97	0.42	0.56		2.87
1998-99	2.47	1.07	0.44	0.63		3.10

Flows of State Provident Funds

Rs in crore

1999-00	30235	13583	7004	6579	48.44	36814
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7.6 Table 7.3 shows the transactions of the NSSF in 1999-00. Starting with an opening balance of Rs. 151957, the NSSF ended the year with a balance of only Rs. 973 crore. This was because the small savings part of the NSSF closed with a negative balance of Rs. 28687 crore. The major outflow was investment of Rs. 212137 crore in the government securities.

**Table 7.3: Transactions of the NSSF:
Small Savings, Public Provident Funds: 1999-00**

<i>Rs in crore</i>			
	Small Savings	Public Provident Fund	Total
Opening Balance	151957	24264	176221
Collections	65776	9659	75435
Interest Receipts	20265		20265
Total Addition	86041	9659	95700
Repayment	34848	2016	36864
Investment	212137		212137
Interest Payments	17951	2247	20198
Management Cost	1749		1749
Total Outflow	266685	4263	270948
Closing Balance	-28687	29660	973

7.7 Table 7.4 indicates the position of other accounts pertaining to special deposits and non-government provident funds over 1990-91 to 1999-00. Here the TGR of repayments is much higher than the TGR of annual additions to the funds. As a result, the net additions have been falling showing a negative TGR.

**Table 7.4: Other Accounts
(Special Deposits and Non-Government Provident Funds, etc.)**

<i>Rs in crore</i>						
Year	Opening balance	Addition	Repayment of principal	Addition net of repayment	Net addition as % of total addition	Closing balance
1990-91	35597	13029	3290	9739	74.75	45336
1991-92	45336	10053	3571	6482	64.48	51818
1992-93	51818	11685	3706	7979	68.28	59797
1993-94	59797	16243	3562	12681	78.07	72477
1994-95	72477	16066	2756	13310	82.85	85787
1995-96	85787	16508	10285	6223	37.70	92010
1996-97	92009	17178	9100	8078	47.03	100087
1997-98	100087	32818	8818	24000	73.13	124087
1998-99	124087	20795	18080	2715	13.06	126802
1999-00	126802	24297	16675	7622	31.37	134424
TGR	15.12	10.22	23.20	-2.93	-11.93	13.39

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Percentage to GDP

Year	Opening balance	Addition	Repayment of principal	Addition net of repayment	Net addition as % of total addition	Closing balance
1990-91	6.26	2.29	0.58	1.71		7.97
1991-92	6.94	1.54	0.55	0.99		7.93
1992-93	6.93	1.56	0.50	1.07		8.00
1993-94	6.96	1.89	0.41	1.48		8.44
1994-95	7.18	1.59	0.27	1.32		8.49
1995-96	7.26	1.40	0.87	0.53		7.78
1996-97	6.76	1.26	0.67	0.59		7.35
1997-98	6.60	2.17	0.58	1.58		8.19
1998-99	7.06	1.18	1.03	0.15		7.21
1999-00	6.48	1.24	0.85	0.39		6.87

*Change in opening balance due to prior period adjustment and rounding.

7.8 Table 7.5 presents the profile of balances and annual growth in the deposits. The annual additions have grown at the TGR of 8.26 percent and the repayments at the TGR of 7.41 percent. There is considerable volatility in the net addition as percentage to total addition.

Table 7.5: Growth of Deposits

Rs in crore

Year	Opening balance	Addition	Repayment of principal	Addition net of repayment	Net addition as % of total addition	Closing balance
1990-91	16893	17352	15335	2017	11.62	18910
1991-92	18910	20027	19031	996	4.97	19906
1992-93	19906	21087	21112	-25	-0.12	19881
1993-94	19895	21915	21406	509	2.32	20404
1994-95	20404	25139	22217	2922	11.62	23326
1995-96	23325	28031	24044	3987	14.22	27312
1996-97	27299	33637	31337	2300	6.84	29599
1997-98	29599	35893	31682	4211	11.73	33810
1998-99	33809	27103	25330	1773	6.54	35582
1999-00	35582	37427	31696	5731	15.31	41313
TGR	8.75	8.26	7.41			9.54

Percent to GDP

1990-91	2.97	3.05	2.70	0.35		3.32
1991-92	2.89	3.07	2.91	0.15		3.05
1992-93	2.66	2.82	2.82	0.00		2.66
1993-94	2.32	2.55	2.49	0.06		2.37
1994-95	2.02	2.49	2.20	0.29		2.31
1995-96	1.97	2.37	2.03	0.34		2.31
1996-97	2.00	2.47	2.30	0.17		2.17
1997-98	1.95	2.37	2.09	0.28		2.23
1998-99	1.92	1.54	1.44	0.10		2.02
1999-00	1.82	1.91	1.62	0.29		2.11

*Change in opening balance due to prior period adjustment and rounding.

7.9 Table 7.6 provides the growth profile of reserve funds. Some important interest bearing reserve funds are: depreciation reserve fund for railway commercial lines and railway strategic lines; depreciation reserve fund for government commercial departments and undertakings; telecommunication capital reserve fund; and railway capital fund. Examples of some non-interest bearing reserve funds are: relief fund, central road fund, and roads and bridges funds. The TGR of repayments is more than the TGR of additions. In 1998-99, repayments became more than the additions.

Table 7.6: Growth of Reserve Funds

<i>Rs in crore</i>						
Year	Opening balance	Addition	Repayment of principal	Addition net of repayment	Net addition as % of total addition	Closing balance
1990-91	2496	5203	4686	517	9.94	3012
1991-92	3012	5907	5363	544	9.21	3558
1992-93	3560	7574	7263	311	4.11	3871
1993-94	3873	9114	8834	280	3.07	4152
1994-95	4153	11356	9842	1514	13.33	5667
1995-96	5672	13907	13211	696	5.00	6368
1996-97	6275	14643	12597	2046	13.97	8321
1997-98	7876	15820	15409	411	2.60	8287
1998-99	8288	14730	17006	-2276	-15.45	6012
1999-00	6014	17614	17434	180	1.02	6194
TGR	13.39	14.73	16.38			10.30
<i>Percentage to GDP</i>						
1990-91	0.44	0.91	0.82	0.09		0.53
1991-92	0.46	0.90	0.82	0.08		0.54
1992-93	0.48	1.01	0.97	0.04		0.52
1993-94	0.45	1.06	1.03	0.03		0.48
1994-95	0.41	1.12	0.97	0.15		0.56
1995-96	0.48	1.18	1.12	0.06		0.54
1996-97	0.46	1.08	0.92	0.15		0.61
1997-98	0.52	1.04	1.02	0.03		0.55
1998-99	0.47	0.84	0.97	-0.13		0.34
1999-00	0.31	0.90	0.89	0.01		0.32

*Change in opening balance due to prior period adjustment and rounding.

7.10 In sum, it can be said that for reserve funds and special deposits repayments have overtaken the growth of annual additions. The deposits have grown almost at par. The main sources for additional funds for the government are provident funds and small savings. In recent past, these funds have provided large net additions relative to total additions, and the government has dipped into these to finance its fiscal deficit.